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NEWS SUMMARY

GENERAL Howe's plan for national recovery

Business Claims 'could harm industry growth'

Belfast murders Provisional IRA is thought responsible

Malaria dangers Malaria is making a comeback into Britain

In arrests ECONOMIC people were arrested

Reservoir dispute The Government has been asked to adjudicate

Jumbo jet shot Police are investigating an incident at Heathrow Airport

Kampala 'gunfire' Heavy gunfire was reported in central Kampala

Andreotti talks Sig Giulio Andreotti, the Italian Prime Minister

Briefly A chimney was found dead and three others suffering from injuries

Contents of today's issue Overseas news 2, World trade news 2, UK news-general 3-5

Table with 3 columns: Features, Annals, and other news items.

Table with 3 columns: Appointments, Business, and other news items.

Iran decision to cut defence spending is blow to Britain

BY SIMON HENDERSON IN TEHRAN AND PATRICK COCKBURN IN LONDON Details of a savage pruning of Iranian defence contracts, foreshadowed by the suspension of military orders last week, have emerged in Tehran

Water workers want offer raised to 17%

BY PHILIP BASSETT, LABOUR STAFF WATER EMPLOYERS may have to increase their 13.9 per cent pay offer to the industry's 33,000 manual workers to about 17 per cent today to stave off national official strike action by members of the National Union of Public Employees

N. Sea interest relief grants criticised

THE Department of Energy has been criticised for failing to follow its own rules on interest relief grants to UK suppliers of oil and gas field equipment and services for the UK continental shelf

Callaghan sees new pact with unions as vital

BY RICHARD EVANS, LOBBY EDITOR SENIOR Ministers hope Mr. Callaghan's weekend speech, in which he hinted at the setting up of a board to consider pay differentials and anomalies and seemed to show greater flexibility over local authority wage negotiations, will speed an agreement between the Government and trade unions on a new social contract

Inco quotes nickel price

BY JOHN EDWARDS, COMMODITIES EDITOR IN A BID to restore stability to the nickel market, the Inco group has decided to start publicly quoting its prices again

UK hopes China contracts will be signed this month

BY JOHN ELLIOTT AND IAN HARGREAVES THE GOVERNMENT hopes China will sign contracts for the construction of steel works, coal mines and power stations, and complete arrangements to buy aircraft and ships when a UK trade delegation visits Peking later this month

Olympia advertisement for dictating, facsimile transmission, copying, and text processing machines. Includes images of the equipment and contact information.

UK NEWS

Rises of 15% 'will put strain on companies'

By DAVID FREUD

EARNINGS INCREASES of 15 per cent or more will put extreme pressure on the company sector...

higher level of wage rates in both public and private sectors than forecast...

De Zoete and Bevan, City stockbrokers, says a more restrictive policy stance is now required...

Wage policies 'will not help poor working families'

By DAVID FREUD

THE connection between low pay and poverty is relatively weak, according to an article in the National Westminster Bank Quarterly Review.

benefits for those without earnings should be set below incomes in work, but this does not mean that real benefits should not be raised to what-ever level society chose.

Non-retail shops spread criticised

By Our Consumer Affairs Correspondent

THE NATIONAL Chamber of Trade has criticised the growing penetration of non-retail shops such as banks, job centres, and betting shops...

IMF head will warn on inflation threat to growth

By PETER RIDDELL, ECONOMICS CORRESPONDENT

A WARNING that a resurgence of inflationary pressures could endanger prospects of sustained world economic growth is expected to be made in London this evening by M. Jacques de Larosiere...

the process of current account adjustment and exchange rate stability. During his visit to London, M. de Larosiere will meet Mr. Denis Healey...

CROWN AGENTS TRIBUNAL

Link with convicted financier

By TERRY OGG

THE ESSENCE of the relationship between Mr. Sidney Finley, financier, and Mr. Bernard Wheatley, former Crown Agents money-market manager...

down. And you could not stop lending to him because that was the price of getting the money from Crown Agents?

end of December, 1971, and showed a total loss carried forward of £200,000. Mr. Finley replied: "That is correct."

Private landlords seek independent review today

By MICHAEL CASSELL

AN INDEPENDENT body to ensure that the Government review of the Rent Acts treats private landlords fairly, has been called for by the Small Landlords' Association.

appoint an independent review body to receive outside representations on the report, which the Department of the Environment is preparing.

Shipping losses hit record 40%

By John Moore

WORLD MERCHANT shipping losses rose more than 40 per cent last year to a peacetime record of 1.15m gross tons worth £245m, according to Lloyd's of London.

Statistics will show trend in price rises

THE PROSPECT of a gradual rise in the rate of price inflation during the first half of this year is expected to be underlined today by new official figures.

expected by stockbrokers' economists. Otherwise, the main City attention will be on two key financial indicators—the banking figures for mid-January due tomorrow and the central Government borrowing requirement for January (due on Friday).

ECONOMISTS GIVE VIEWS ON PUBLIC SPENDING

Government thinking criticised

By PETER RIDDELL, ECONOMICS CORRESPONDENT

THE ECONOMIC assumptions behind the Government's public spending plans are criticised as being unrealistic and wrong by several leading City and academic economists in memoranda submitted to an all-party committee of MPs.

the London Business School; Mr. R. W. R. Price of the National Institute of Economic and Social Research; Mr. Robert Bacon and Mr. Walter Eltis of Oxford University; Professor Patrick Minford of Liverpool University; the Fabian Society; Mr. Tim Congdon of stockbrokers L. Messel; Mr. Gordon Pepper and Mr. Robert Thomas of stockbrokers W. Greenwell; and Dr. P. M. Jackson, director of the Public Sector Economics Research Centre at Leicester University.

12-14 per cent a year, while earnings increases are likely to be higher than the 11 per cent rise assumed in the Government's pessimistic case.

impossible to enter into a satisfactory dialogue about economic prospects and the policies being pursued. It is also likely to be associated with the formulation of two sets of economic assessments, one for public consumption and one which corresponds to reality.

Mr. Price, of the National Institute, argues that the budget stance has become more restrictive in the past two years than at any time since the two years after the 1967 devaluation.

GROWTH advertisement with tree illustration and text about economic growth and company services.

Scaling down A similar theme is developed by Mr. Bacon and Mr. Eltis. They also argue that the White Paper under-estimates the likely level of debt interest payments and of nationalised industry borrowing.

Large advertisement for THE GULF BANK featuring a ship illustration and contact information for Kuwait and London.

UK NEWS

Sales drop expected for textile retailers

BY RHYS DAVID, TEXTILES CORRESPONDENT

GBRITAIN'S RETAILERS of textiles and clothing, who experienced buoyant conditions for much of last year, are now expecting a slackening in sales growth during the next four months, the latest CBI-NEDO textile trends survey reports.

The survey, a three-monthly assessment of confidence at all levels of the textiles pipeline from raw material processors through to the shops, shows that retailers in January achieved higher sales than in October but

no wexpect on balance to be reducing their forward ordering.

The worst performance at retail level is menswear, particularly outer wear, but the survey points out that changes in the trade make it difficult to interpret the significance of this.

Women's and girls' outer wear by contrast report a marked improvement in performance over the past four months and this is expected to continue.

In contrast to the retail sector, textile and clothing manufac-

turers remain optimistic with 14 sectors reporting more confidence about their business compared with four months ago as against seven sectors reporting a decline. Some sectors— notably worsted weaving and spinning—appear, however, to be more cautious about export prospects over the next 12 months compared with October, with a marked increase in pessimism in men's shirts and underwear, socks, cotton, and man-made fibre spinning and weaving.

Although about half the sectors report that employment is still falling, there appears to have been some improvement compared with October and a further upturn is expected over the next four months. On balance, the survey notes prospects are expected to be better in end-product sectors than at the earlier processing stages.

It also points out that while orders and sales are still the most important factor limiting output, there has been a marked increase in the importance of skilled labour shortages as a factor.

Bid to coax out 'rebels' from beneath bowlers

BUSINESSMEN are being urged to leave their pin-stripe suits and formal shirts and ties at home for just one day next month, and go to work in jeans and sweaters.

A clothes manufacturer wants them to do this to prove that everyone works better in casual clothes.

Mr. Raj Shah, who wears slacks and a sweater for business meetings, said March 21—the first day of spring—should be a day of informality at the office, even at the risk of offending the boss.

"British business life is much too formal," he said. He planned advertisements in the Financial Times to bring out the rebel underneath every bowler hat.

"I am aware that only a small percentage of the business world will join in the first experiment but I shall invite them to send me their reactions. This could eventually make the bowler an endangered species."

Mr. Shah is head of London Casualwear Manufacturers' Second Image.

Trends in Textiles and Clothing; CBI, 21, Tothill Street, London SW1H 9LP.

Steel foundry industry protest at sharp price rise for scrap

BY OUR SHEFFIELD CORRESPONDENT

A SHARP rise in the market price of ferrous scrap has brought protests from the steel foundry industry. The scrap price rises—up to £10 per tonne in certain grades—could mean price increases across a wide range of industrial products, a spokesman warned.

The increases, which became apparent at the week-end, come after rises of up to £5 per tonne a month ago. The British Steel Corporation is the dominant market power in the scrap trade, and merchants say the new prices almost certainly reflect a Corporation decision to pay more for its scrap.

A spokesman for the Steel

Castings Research and Trade Association in Sheffield said steel foundries were alarmed at the new increases. They could not avoid paying them, yet they did not add at all to the industry's productivity.

"It is a straight cost increase in foundries which we cannot absorb and which will have to be passed on to the customer," he said.

Mr. Roy Boast, executive vice-president of the British Scrap Federation, confirmed that he was now getting reports of price increases in scrap which "surprised him."

He thought the increases reflected the catching up of UK

prices with those in other markets particularly the U.S. and Germany. There was also a risk demand for scrap in Europe.

The new rates would not mean profit windfalls for merchants, he emphasised. Because of the lorry drivers' strike, and widespread picketing, both collection and deliveries from scrap yards had been affected.

Merchants would soon have to replenish present stocks and pay higher rates to scrap producers in industry. Such producers, including the Government, would be the main beneficiaries of the sharp price increases.

Daihatsu plans for 8,000 car sales will cause concern

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AN AMBITIOUS plan to launch Daihatsu cars in the UK later this year is bound to cause concern among rival importers of Japanese cars and attract the interest of the Department of Trade.

Tozer Kemsley and Millbourn, the London-based international trading and finance group, will distribute the Daihatsu cars and Mr. Jonathan Sieff, chairman of its automotive division, said: "We hope to sell 7,000 to 8,000 in the first year."

There is some confusion surrounding the state of Anglo-Japanese agreements about cars. At the end of last year the Japanese manufacturers said they would take a "prudent" approach to the UK market.

This is understood to mean that shipments will be restricted to some extent.

But this year Suzuki as well as Daihatsu will be entering the car market for the first time. The Heron Motor group will be selling "a limited number" of four-wheel-drive "leisure" vehicles and light vans from Suzuki.

Mr. Sieff commented: "The Japanese manufacturers are responsible people and will no doubt hold back from taking the share of the UK market they could achieve. But within the overall level there will be competition."

Daihatsu is near the bottom of the Japanese car-producing groups in volume terms with a 1977 output of 82,601. However, it also produced 236,000 commercial vehicles that year.

TKMI will initially concentrate on selling the 1,000 cc Chirade undergoing UK Type Approval saloon. The car is currently on test and should be launched in October.

Next year TKMI will lose its lucrative franchise in the UK for the West German BMW cars and motor-cycles and the Daihatsu launch is part of its plan to compensate for this loss.

TKMI also has a major shareholding in the company which distributes Mazda cars, made by Toyo Kogyo, Japan's third largest car maker, and which was the only concern to hold sales to the 1977 level last year.

In 1978, however, Mazda launches the Montrose range which will challenge Ford's Cortina and Vauxhall's Cavalier in the medium-sized, 1600 cc and 2000 cc sector of the market.

The importers believe the Montrose range, to go on sale in the UK next month, will eventually account for half Mazda's British sales.

British Airways orders

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS has ordered another two Lockheed Tristar airliners, worth more than £50m including spares. They will use Rolls-Royce RB-211 Dash 534B engines, and that company's share of the deal will be about £15m.

The latest order brings to 17 the number of Tristars firmly on order for British Airways (of which nine have been delivered), with another six on option, giving the airline an eventual fleet of 23.

The two latest aircraft are Tristar-200s, for delivery in March next year. They will be used initially on routes to and from the Gulf.

Later, they may be deployed on the shorter European routes, where the engines will be run at lower power because of the lower operating weight of the aircraft on shorter sectors. This will prolong engine life and save on maintenance costs.

Study plan for council stakes in companies

BY PAUL TAYLOR

THE LABOUR PARTY national executive committee and the Department of Industry are to be asked to study proposals which would give local authorities specific powers to provide risk capital and take stakes in small private companies.

The controversial proposals for enhancing the economic planning role of local councils were made yesterday in a working group paper on municipal enterprise presented to the Labour Party Local Government Conference in Newcastle.

The paper was prepared by Mr. Richard Minns and Jennie Thornley, researchers at the Independent Centre for Environmental Studies.

Following discussion of the proposals Mr. Leslie Huckfield, Parliamentary Secretary at the Department of Industry, said he would "without commitment" take the proposals to the Labour Party NEC and to his department for study.

Mr. Minns told Labour Party councillors that his proposals would provide an important source of development capital, venture capital and working capital for assisting small firms and stimulating the development of local industry.

The expanding economic planning role of the local authorities could complement the role

of national and regional level of the National Enterprise Board and other bodies in Britain's industrial strategy.

He said enabling local authorities to provide risk capital and minority or majority stakes in small private companies could assist in making some small companies viable. He suggested that between £200m and £250m could be made available by a levy on the rates for assisting small local companies in this way.

Mr. Minns said existing local authority powers in specific areas to make grants and loans to industry or to provide sites and services for industry, were unsatisfactory. He suggested that local authorities, in taking a stake in a small company, could provide a useful "pump priming operation."

While a few local authorities had found provisions in existing legislation enabling them to take equity stakes in companies, Mr. Minns called on the Government to provide local authorities with specific powers through new legislation.

Local authorities could then set up Municipal Enterprise Boards—like mini-national enterprise boards—to oversee local council investments, while he suggested the Government should set up machinery to co-ordinate industrial policy at central and local level.

Farmers reject milk tax plan

DEVON FARMERS have called upon the Minister of Agriculture to veto the Common Market's proposed 10 per cent tax on milk which, they say, would slash dairy farm profits by up to 70 per cent.

The county National Farmers' Union executive committee, has recommended to the Milk Marketing Board that it should not collect the levy if it is imposed.

Highlands 'need more research resources'

A CALL for more of Scotland's advanced teaching and research resources to be located in the Highlands and Islands was made last night by Sir Kenneth Alexander, chairman of the Highlands and Islands Development Board.

This would make an important contribution to the area's economic and social development, he said.

In the Bowie Memorial Lecture at Dundee University Sir Kenneth referred to the Board's recent initiative in encouraging community co-operatives, an approach now being tested in the Western Isles.

Four co-operatives were established last year: at Ness (popula-

tion 2,300) and Park (500), in Lewis, Eriskay (185) and in Vatersay (110).

Local communities were exploring possibilities in four other areas of the Western Isles and several groups were examining proposals for community development in other parts of the Highlands and Islands.

Sir Kenneth said that only one co-operative had so far advanced to the point at which it had been practicable to appoint a full-time manager. It was too early to assess the real importance of the initiative, but the response had been extremely encouraging.

The education sector could make a real contribution to development, he said.

Land dispute referred to Government

FINANCIAL TIMES REPORTER

THE GOVERNMENT has been asked to adjudicate in a dispute between the Northumbrian Water Authority and the Forestry Commission over land ownership around the Kielder Dam—Europe's biggest reservoir project.

The water authority, which is due to complete a £155m scheme by 1981 is anxious to acquire a further 2,700 acres around the perimeter of the reservoir mainly to provide recreational facilities.

It claims, however, to be come up against a resolute

refusal from the Forestry Commission which maintains the Kielder forest where the dam lies, and as it is Crown land the water authority is unable to use compulsory purchase.

The dispute has now been referred to two Government Ministers. Mr. Peter Shore, Environment Secretary and Mr. John Silkin, Agriculture Minister, and the water authority is also seeking the support of regional MPs.

The authority claims that it must have unrestricted operational freedom around the reservoir to manage it and

check on safety. At the same time, it is under statutory obligation to provide recreational facilities on the reservoir and requires land on the lake side for these to be carried out.

"The Forestry Commission recreational interests are self-imposed and not required by law as ours are. Also any recreation we undertake is eligible for grants both from UK sources and from the EEC but this does not apply to Forestry Commission development," says Sir Ralph Carr-Ellison, Northumbrian water chairman.

VEBA OEL

A new company in German energy



Restructuring at VEBA. The oil and chemical sectors of the VEBA Group have been restructured. The chemical activities are now concentrated with Chemische Werke Hüls (hüls), while the Group's oil activities will be handled by VEBA OEL (formerly VEBA-CHEMIE).

Fully integrated oil company. VEBA OEL is now fully responsible for the entire petroleum sector of the VEBA Group, from the search for crude oil and processing, to the supply to end-users. Exploration and production of crude oil around the globe are the functions of DEMINEX - Deutsche Erdöversorgungsgesellschaft (Group participation: 54%). Our refineries process 16-17 million tons of crude annually. VEBA OEL has a large capacity for conversion and at the same time a highly competitive petrochemical sector. The products of VEBA OEL are sold by the Group's trading company RAAB KARCHER and ARAL, Germany's largest gasoline distribution network (participation: 56%).

VEBA OEL. This new corporation encompasses a group of companies with close to 20,000 employees and a turnover of around DM 13 billion - a group of companies with decades of experience in the field of mineral oil.



VEBA OEL AG
Pawikerstrasse 30; D-4660 Gelsenkirchen-Buer

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UK NEWS

LABOUR

More employers give health insurance

BY ERIC SHORT

MORE EMPLOYERS are providing health insurance for their employees, despite the restrictions imposed by pay policy.

Figures for 1978 released by the three leading provident associations - British United Provident Association, Private Patients Plan and Western Provident Association - which account for 98 per cent of the medical insurance market show a membership rise of 11 per cent.

There are now nearly 650,000 subscribers in group health schemes, where the employer pays most or all of the contribution. Since under many schemes the benefits also cover the employee's family, then about 2m people have health insurance under company schemes.

This growth has been achieved despite the pay policy restrictions which have always insisted that health insurance

CHANGE ON YEAR			
Individual	Group	Total	
BUFA	+4,235	+40,468	+36,233
PPP	+285	+14,237	+14,522
WPA	+1,263	+8,477	+9,740
Total	-2,587	+63,402	+60,815

contributions should be included in the pay limits. It was sick pay schemes that had been excluded. But since the ending of Phase Two of the pay policy in August 1977, there has been a growing interest from companies in establishing health insurance schemes.

It appears the current problem within the National Health Service have encouraged this trend of employers providing health insurance as a fringe benefit although associations are unable to provide any figures to support this.

The other significant feature in the 1978 figures showed that

in the second half of the year, the decline in individual membership came to a halt.

Almost certainly the troubles in the health service are making people take another look at private sector medicine and take out the insurance to meet the cost.

Two of the three associations, PPP and WPA, recorded increased individual membership over the year, WPA by 10 per cent. However, BUFA, the largest of the three, had a fall in this area of 1.25 per cent, although almost all of this drop occurred in the first half of the year.

The net result of the associations combined was a drop of 0.56 per cent in individual membership during 1978, but a rise of a similar amount over the second half of the year.

All three associations expect that more employers will follow the trend of setting up group health insurance schemes as part of the fringe benefit package for employees. They are also more optimistic for the first time in years, that the individual market will start expanding again. After all, it was to provide the necessary insurance facilities for individuals that the associations were first established.

stituencies were more than 25 per cent larger than average and 51 were more than 25 per cent smaller because of rapid population changes.

Newcastle Central, with just over 23,000 electors, was at one extreme and Basildon, with just over 102,000 electors, was at the other.

This movement of electors had almost always been out of town centres and into the suburbs and countryside.

Overall, the Greater London area and the Metropolitan counties were over-represented by 23 seats, while the three counties were under-represented by 21 seats.

Most of the over-representation was in the urban seats of old city centres - inner London, nine seats, Manchester, Liverpool and Birmingham, two seats each, Sheffield, Gateshead and Newcastle, one seat each.

The damage for the Conservatives, stemmed from the fact that over-represented inner city areas tended to be Labour, and under-represented suburban and semi-rural areas tended to be Conservative.

Call to strike at BL Cars expected today

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

SENIOR shop stewards at BL Cars are expected to vote by a clear majority in Coventry today for a total strike by the 100,000 manual workers from Friday.

Management last night appeared to be pinning hopes on the idea that employees, fearful of the consequences for the company, would not give whole-hearted support for the strike call.

The issue that has united union leaders of the left and right is the refusal of the company to back-date parity payments due this month to November last year. Management insists productivity has not been sufficient to make such payments self-financing.

BL said last night that if workers could produce 6.1 cars per man this month and next, then payments - worth up to £10 a week for some employees - could be back-dated to February 3. Output at 6.4 cars could mean payment from January 1. The company maintains that the 6.4 target was achieved in the six of the 12 months of 1977 - the year the company suffered the month-long toolmakers' strike, the damaging eight-week dispute at the Lucas component company, and problems at its Speke plant. That level was never reached in 1978 and 6.1 cars was achieved in only three months.

The unions say that the company has never given clear figures of the productivity achievements necessary to trigger parity payments. They claim that the agreement to 7,000 redundancies in recent weeks is sufficient price.

For many of the 20,000 workers at a low-paid plant like Longbridge, Birmingham, the company's stand means the loss of up to £14 a week. Some sectors of management believe loyalties will be divided at Cowley, Oxford, with about 14,000 workers. Although wages are relatively low, there are fears that action could impair the company's ability to fund the new medium-range car crucial to the plant's long-term viability.

Management is expected to make a direct approach to the BL workforce, pointing out the implications for employment of any dispute.

Plea for new exam system

Financial Times Reporter

URGENT Government action to set an early date for the introduction of a common system of school examinations at 15-plus is being called for by the National Union of Teachers.

In a policy statement issued today, the NUT argues that the dual system of GCE and CSE examinations should be replaced. It urges that the machinery for central co-ordination of the new system should be within the Schools Council, and should take the form of a larger examinations committee.

The union considered that national criteria for syllabuses and examinations would provide an opportunity to improve standards. It would also ensure comparable standards between boards.

The union also endorses the recommendations of the Waddell Report. This says that the administrative structure for the new examination system should comprise groups with at least one GCE and one CSE board. A group should also be identified with a particular area of the country, and "appropriate interests" should be represented on the senior body of a group. The 20,000-strong National Association of Head Teachers yesterday said the NUT had damaged the credibility of the teaching profession by claiming rises of 35 per cent.

Tribunal will try again to settle rail pay dispute

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL's independent national staff tribunal will meet next week in a second attempt to find a settlement to a productivity dispute which led last month to a series of national strikes by members of ASLEF the train drivers' union.

Although all sides welcomed sending the dispute back to the tribunal after the intervention of Mr. Len Murray, TUC General Secretary, British Rail officials, union leaders and other observers privately admit that it will be difficult to find new ground on which to base an acceptable solution.

Mr. Ray Buckton, ASLEF general secretary, said after agreeing to the tribunal being reconvened that he hoped it would hear the evidence by the end of this week.

Because the tribunal is unlikely to have to repeat the fact-finding field trips which delayed publication of its report last year until five months after the hearing, a speedier finding is expected this year.

Some union officials involved thought the fact that Lord McCarthy, lecturer in industrial relations at Nuffield College, Oxford, who is chairman of the tribunal, and the panel's two

other members, had asked for double the time for the hearings this year might point towards an opening up of new areas which might lead to a settlement.

British Rail is seeking to amalgamate the immediate problem, which is over the train drivers' claim for 10 per cent special responsibility payments, with its long-standing ambition to achieve staffing cuts and with this year's annual wage settlement.

The unions will meet the British Railways Board for resumed pay negotiations late this week or early next week.

British Rail has offered 5 per cent in response to the unions' claims for substantial increases, although the National Union of Railwaymen says that the offer could mean up to 8.7 per cent. All three unions will be unlikely to settle for anything other than the public sector "going rate", which some have estimated at 15 per cent.

The Transport Salaried Staffs Association, which represents about 48,000 British Rail white-collar workers, had to cancel a special conference on pay yesterday because of industrial action in the public services' dispute.

Tory boundary law 'put Labour ahead'

THE CONSERVATIVES harmed themselves in 1958 with legislation changing the arrangements for dealing with Parliamentary boundaries, a Conservative political pamphlet published yesterday claims.

Mr. Ian Clarke, a consultant statistician and former Conservative candidate, says in his pamphlet, *The Great Boundaries Scandal*, that the then Conservative Government gave the Labour Party a built-in electoral advantage. In return, Conservative MPs who did not want their safe seats redistributed had a slightly more comfortable life.

It could be argued that this affected the results of the 1964 and the two 1974 elections, Mr. Clarke says.

The change of rules meant that constituency boundaries were almost always out of date. This was because of the increase in time between reviews of boundaries - usually between 10 and 15 years.

The next General Election would be fought on boundaries already 15 years old. This meant that about 70 con-

stituencies were more than 25 per cent larger than average and 51 were more than 25 per cent smaller because of rapid population changes.

Newcastle Central, with just over 23,000 electors, was at one extreme and Basildon, with just over 102,000 electors, was at the other.

This movement of electors had almost always been out of town centres and into the suburbs and countryside.

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The damage for the Conservatives, stemmed from the fact that over-represented inner city areas tended to be Labour, and under-represented suburban and semi-rural areas tended to be Conservative.

Molybdenum demand raises steel prices

BY OUR COMMODITIES EDITOR

THE PRICE of molybdenum, which went up by more than 20 per cent last year as a result of consumption exceeding supply and reducing stocks to a low level, is the main factor behind British Steel's announcement of increased prices for special steel. It has been one of the few metals in the last four years which has remained in strong demand with prices advancing steadily.

The main reason is the heavy demand for molybdenum for the large-diameter steel pipe used in oil and gas pipelines. Sometimes known as the "space age" metal, moly provides extra durability and acts as a corrosion inhibitor, making it ideal for use in pipelines where repair work, including cracking joints, can be extremely expensive.

Steel pipe manufacturers have, therefore, been prepared to pay increasingly higher prices for moly which, in many uses, cannot be substituted satisfactorily. This demand, which has proved much greater than expected, has come at a time when output has been hit by cuts in copper production, since about a third of world moly output normally comes as a by-

product of copper. Most primary moly production is concentrated in North America, and dominated by Climax, part of the Amax group. Canada and Chile are the two other main producers.

Climax, which has built up a demand for moly over the years, keeps a tight control over prices and supplies. But in recent years, in spite of sizeable expansion in output, notably at Climax's giant Henderson mine in Colorado, supplies have failed to keep up with the increases in demand.

Surplus stocks, previously held by Climax have been run down. Bad weather has forced the company to cut its February/March shipments to its U.S. customers by 15 per cent because of the shortage.

There is little relief from the free market outside the main Western producers. Prices there are three times higher than the official producer quotations and supplies are extremely scarce. The last Climax increases on December 29 raised its price for ferro to about \$15 a kilo, while the free market quotation is between \$42 and \$43.

Union chief spells out fourth TV channel policy

THERE ARE wide differences in the views of the Government and a union on how a fourth television channel should be run.

Mr. Alan Sapper, general secretary of the Association of Cinematograph Television and Allied Technicians said: "We would use our total industrial strength to oppose the establishment of an Open Broadcasting Authority without the required safeguards which we would lay down."

The Government and the Annan Committee on the future of broadcasting recommended that the fourth channel should have few permanent staff, no studio facilities of its own and

its programmes supplied by independent producers and ITV companies.

Mr. Sapper, speaking on London Weekend Television last night spelled out a policy which runs against these recommendations.

The conditions to be insisted on by the union, which represents about 18,500 television and film technicians, include permanent employment for workers involved, union recognition and a minimum level of 82 per cent of British original programming.

The union also wants independently made programmes to make up only a minority of the total programmes broadcast.

Job help for youngsters urged

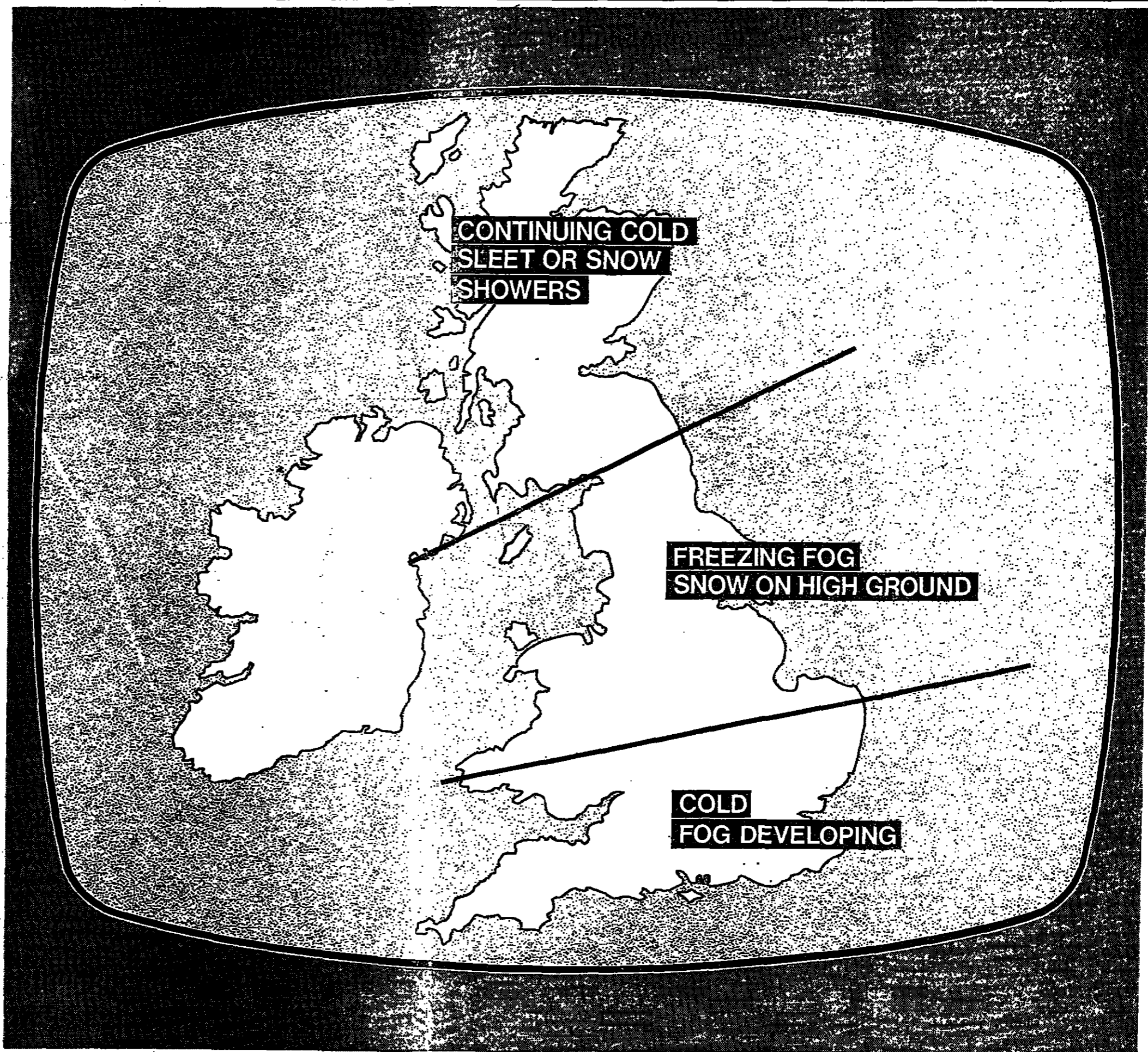
LOCAL AUTHORITIES were urged by the Government yesterday to do more to help "rough-and-tumble" youngsters find jobs.

Mr. John Goding, Employment Under-Secretary, said at the Labour Party's local Government conference in Newcastle-upon-Tyne, that outside areas of exceptional unemployment,

there was no general problem for school-leavers.

"The brightest and best get work. The problem is one of finding work for our rough-and-tumble youngsters."

The Manpower Services Commission was committed to finding jobs for educationally sub-normal and youngsters with no qualifications. "To deny them a chance was social vandalism."



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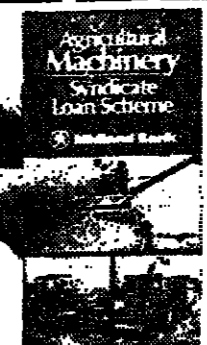
“Have you heard the one about the farmer who needed a combine harvester, and the bank manager who only bought him the back wheels?”



There was this combine harvester, you see. And this farmer who saw it at an agricultural show and wanted to have one. Only trouble was, the combine harvester was so big, it could handle a farm three times as big as his. Still, he went to his bank manager and said, "Bank manager, I want a great new combine harvester; but it's so big, it could handle a farm three times as big as mine." So the bank manager thinks hard and says, "I've got this good idea! Why not just buy a third of it?"

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Hidden dangers of looking too far ahead

By CHARLES BATCHELOR, in Amsterdam

UNLESS PHILIPS, the giant Dutch electronics group, develops new markets and products by 1991, nearly a quarter of its 85,000 jobs in Holland will disappear.

This startling piece of information is contained in a survey prepared by the group on likely social developments up to the year 1991. Not surprisingly, it caused consternation when a copy found its way into the hands of the NVV trade union federation.

Not all of the developments outlined in the report go into great detail and many of its findings are unexceptional. But those details which the union, understandably enough, chose to highlight, are disturbing enough for Philips and for the social forecast group which prepared the survey.

"I would not say we would produce a report again," Dr. Peter Winkel, Chairman of the forecast group and deputy director of social affairs at Philips said. "But we would do it differently. You must realise the consequences of an internal report being published, he says ruefully.

"What struck us about the union's reaction to the details released was that none of our findings were not correct," Wim Hillen, secretary of the forecast group said. "Everyone said our findings were regrettable but no one said they were wrong."

How do companies like Philips, which has 364,000 employees worldwide and is the largest private sector employer outside the U.S., go about looking into the future? And why the need to add their own crystal gazing to that carried out by the many private and government forecasting institutes?

The aim was to see "if the forecasting was sufficiently tangible to make a real contribution to the decision on the company's social policies," the forecast group said. The report was limited but is of sufficient quality to justify study in relation to questions of policy, it added.

It is too early yet to say whether the survey has fulfilled its purpose although there may be a provisional answer by the middle of next year, Dr. Winkel said. He admits, though, that there is the danger of lengthy discussions which produce little concrete result. But even if the real purpose of the survey is not fulfilled, the effort which has been put into looking into the future will not have been wasted. "The report has made

people think. It has made them look at likely developments to see whether they are a threat or an opportunity," Dr. Winkel said.

Philips, like many other companies, usually restricts itself to a four-year review. This survey, which was completed in May 1978, looks 13 years ahead to 1991—not too close and not too far into the future. It is also Philips' centennial year. All the survey has been able to do is to sketch some of the contours. "Very little is clear cut. There is mostly an ebb and flow with the turning point at which the tide turns difficult to pick out," the forecast group says in an introduction.

The nine-strong team which formed the social forecast group went to the many published works often the fruit of prize money studies by groups of experts—to distil a picture of the future. Drawing on the expertise of the operational side of the social affairs department they put their own conclusions together, meeting to compare notes for an afternoon every two to three weeks.

Sources

The survey lists more than 50 written sources for material including government studies, reports by specialist government advisory groups, studies by the unions and the employers' organisations as well as academic texts. Most of the sources are Dutch, not because of Holland's advanced position in many social matters but because, since Philips is headquartered in Holland, the future is best seen in terms of that country's social structure and legislation.

The survey begins with a list of assumptions about the future, drawn from the written sources and based on Philips' own experience in social matters. These assumptions are then worked out in more detail in four areas: the trade unions, wages, personnel and company structures. In the final section, the 65-page report a number of points raised are checked to see if they could form the basis for policy decisions.

As far as trade unions are concerned Philips foresees that they will become more involved in defending the interests of individual members. This could bring them into conflict with works councils which already operate in this area. Pension is expected to increase between the unions and their members because the unions will either

conform to broader general interests or adopt radical attitudes which cannot be reconciled with economic realities.

New forms of labour contract—part-time work, work at two jobs, and temporary project-related employment—will blur the concept of the "employee" and will reduce the need for identification with an organisation such as a union. Despite these problems the unions will continue to fulfil a role in society, the report concludes.

In the field of incomes, the forecast group foresees a move to a more bureaucratic salary structure under the influence of increased government involvement in investment, profit distribution and wages.

The unions and the works councils will gain a bigger say in setting individual incomes. The unions are naturally in favour of a more formalised income structure since this will give them a greater control of wage levels, but this trend will be opposed by senior staff.

Salary structures embrace a large number of different scales which allow only small differences of salary. This limits opportunities to reward performance. Attempts by governments to narrow the range of incomes appear to be leading to the setting of maximum as well as minimum income levels. Meanwhile factors such as education and experience will count less towards determining salary levels; they will increasingly be seen as rewards in themselves. Responsible jobs for which there is great demand will also increasingly be seen as reward enough.

The leaking of the Philips' survey to the unions means that not only does the report reflect future developments, it may influence them. There has not yet been any indication that the unions will use details contained in the report to help mould their demands in the 1979 wage round, Dr. Winkel said. But reading that Philips expects a move towards a 36-hour working week, will obviously give them further encouragement in their efforts to reduce working hours. Dutch unions are in fact aiming for a 35 hour week but this has been opposed by the employers on the grounds of cost.

Serious issues are raised, though, by the leaking of the Philips report, Dr. Winkel admits. If a company cannot assume sensitive information will remain confidential, how can it come to unbiased conclusions about the future?

PERHAPS WE do not give enough credit to William Morris, that bearded, ex-public school boy Socialist. One hundred years ago he took the trouble to describe what he thought a factory would be like in an ideal society. The buildings would be simple but beautiful; they would be surrounded by flowers, parks and gardens; inside they would be full of light and air. Factories would be places for learning and amusement as well as for manufacture. Everyone could be happy there.

The 1880s were still the era of dark Satanic Mills. Although a handful of great philanthropic industrialists—Levers, Cadburys, Rowntrees—were indirectly or directly, sooner or later, influenced by Morris, his vision must have seemed excessively Utopian to the average Bradford millionaire or to the entrepreneurs who created the industrial landscape which one sees so clearly from spaghetti junction in Birmingham. Flowers indeed!

Even planned industrial developments like the Team Valley Trading Estate of the late Thirties or the highly self-conscious industrial landscape of Milton Keynes may be less than Utopia. But strong pressures exist for an improvement in the physical environment of industry. These pressures are not entirely fanciful and may yet result in factories not too dissimilar from those imagined by Morris.

First, and most obvious, is the management drive to do things properly. This, these days, more characteristic of American than British management. It leads at one end of the scale to painting obscure and usually neglected places like the inside of plant rooms and lift shafts—the twentieth century equivalent of the medieval master builder carving intricate details far beyond the reach of the naked eye.

At the other end of the scale it leads to the sort of projects which tend to win the Financial Times Industrial Architecture Awards—immaculate exercises in concrete, glass and steel which are usually photographed only from the outside. Quite obviously they are buildings which are valued by their owners and their architects as magnificent objects—large scale versions of seductive consumer durables like cameras and cars.

A vision of the factory in the ideal society

BY FRANCIS DUFFY



William Morris: a vision of factories as places of learning and amusement as well as manufacture.

They symbolise justified pride in company and product. Doing things properly is certainly the basis for fine buildings.

But it is not everything. William Morris's idea of a factory as it might be was not just the shape and construction of the building. His vision also comprehended the relation of design to the technical and social processes of industry—how design supports our work and how novel forms of work call for invention in design.

This is a far more difficult task for the designer, who must be imaginative enough to understand what industry is like now; even more challenging, he must try to work out with clients how it is going to change.

Concepts

Fine examples of this kind of sympathetic design innovation can be found in Sweden and Holland, where beautiful graphics and colourful space dividers have been used to reinforce concepts like the mini-production line.

Take one Dutch example of the usual remorseless logic of production, concern with human factors has led to the creation of small, quasi-autonomous production units with responsibility for, and control over, the making of recognisable products. Here design, by defining the limits of the autonomous working groups, by reinforcing their identity, and by shouting out loud their importance is a vital auxiliary to management planning.

This is a long way from the shortsighted attempts to use design directly to get higher productivity. It is not that the factory walls have been painted pink rather than blue, in an attempt to get people to work harder; more important, someone has decided that it is worthwhile caring enough about the workplace to do something for its occupants.

Far, far more important is that the work environment has been designed to support this industry's particular combination of social and technical requirements. Design, while not a prime mover in industry, is such a potent means of convey-

"The Factory as it Might Be." While there are important historical reasons for this, in the sense of a legacy of mistrust and the memory of truly appalling working conditions, it is still a pity, a missed opportunity, a lost vision.

Is it entirely lost? You can walk round many a factory, amid the oily detritus of production, and admire the fine housekeeping men have carried out on their individual machines.

Recent studies by a social psychologist at the Cummins plant at Shotts, near Glasgow (designed by Albrecht Burton and Koralek) show that workers do not, as is so often said, prefer foul conditions. They have pride in their work and their conditions and are more than willing to express what they want if they are asked in the right way.

The Cummins findings are absolutely consistent with the increasing expectations of the quality of the working environment which can be observed in Cummins plants in the United States and in other companies in Northern Europe. Why shouldn't the factory have plants and break areas like the new offices? Why shouldn't there be furniture especially designed for the factory which is bright and colourful as well as tough and comfortable? Squalor is a symptom of defeat: good conditions a sign of pride.

William Morris knew this. Deep down the old socialist was quite a good businessman. He knew how to make a bob or two. Like most of us he enjoyed working. He cared about the way the work was done as well as about the lovely things he made. Unlike most of us he bothered to imagine what his ideas would be like in practice.

● increasing expectations of the work environment, both in the factory and the office, by those who have to work there. William Morris argued that if each 19th century factory supported a useless stately home, why shouldn't a little domestic grandeur find its way into the factory? Now that offices—and even some factories—are potentially far plusher than homes, we are rapidly approaching this state of affairs.

● an increasing understanding of the way design can be used to support organisational objectives. The more novel forms of organisation we design, the more imaginative will be the use of physical elements of the work environment.

● last but not least, the pride of management in doing things properly, in running a factory as the Navy runs a ship, will increase the chances of excellent working environments for all.

Greater expectations and increased awareness, novel solutions to novel organisational problems, good old commercial pride are all factors leading towards the factory as it might be. Perhaps William Morris knew about more than just making wallpaper.

Francis Duffy is a partner in the firm of architects, Duffy, Eley, Giffone, Worthington.

Revolutionise

What he didn't know, of course, is the way that technology would revolutionise the working environment. William Morris never thought about the human or the design problems of an oil refinery, where millions of pounds worth of equipment is looked after by a handful of peripatetic and highly skilled professionals. He

ACCOUNTING STANDARDS—THE NEED FOR REFORM

A one-day conference to consider the Accounting Standards Committee's consultative document "Setting Accounting Standards" from the point of view of the user.

Do we need accounting standards? If so, what for? Should they be set only by the accountancy bodies? Should the standards apply to everyone? How should they be enforced? If accounting standards affect your organisation you cannot afford to miss this important conference.

The conference will be introduced by Tom Watts, chairman of the ASC, and speakers will include Ron Bounds, Chief Executive of Fisons Limited, Michael Lafferty, the Financial Times, K. E. Percy, Philips and Drew, and others.

Monday 5th March 1979
Cavendish Conference Centre
20 Duchess Mews
New Cavendish Street
London W1

Conference fee (including buffet lunch) £30.00. Members of ICSA £25.00. Further details from Ted Mulberry, Assistant Secretary, Institute of Chartered Secretaries and Administrators, 16 Park Crescent, London, W1. Accommodation limited, please reply promptly. Organised by the Institute of Chartered Secretaries and Administrators.

Business courses

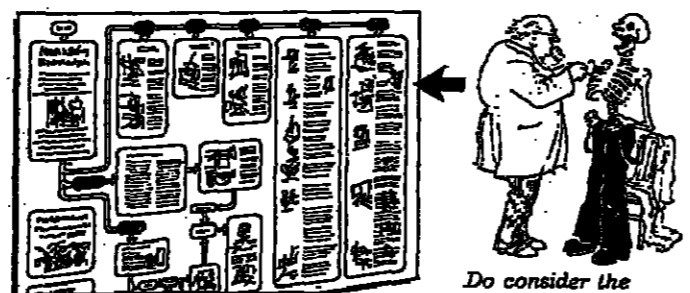
- Management Skills for Women, London, March 12-14. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.
- Developing Managerial Effectiveness, Henley, Oxfordshire, March 25-31. Details from Henley Administrative Staff College, Greensands, Henley-on-Thames, Oxfordshire RG9 8AU.
- The Art of Stores Management, Bristol, March 13-15. Fee: £150 plus VAT. Details from Purchasing Economics, Pel House, 35, Station Square, Petts Wood, Kent BR5 1LZ.
- Practical Sales Management, Brussels, March 12-16. Details from Registrar, Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.
- General Management Skills Development, Oxford, March 25-30. Details from Eurotech Management Development Service, PO Box 28, Camberley, Surrey GU16 5HR.

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The following is a brief selection of extracts from the order books—there are thousands more just like them!

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Semiconductor plant to open in Cheshire

BY JOHN LLOYD

GEC-FAIRCHILD, the semiconductor manufacturing company

Financial Times February 8 1979

CHESHIRE THE BIG CHIP COUNTY

For details of industrial development opportunities in Cheshire, contact:
Monty Cordwell, Industrial Development Officer,
Cheshire County Council, Commerce House,
Hunter Street, Chester CH1 1SN.
Telephone: Chester (0244) 603154.

THE SPEAKING CLOCK

AT THE THIRD STROKE THE 3:45 WILL HAVE STARTED, PRECISELY

THE ARTS

Young Vic

Look Back in Anger

by MICHAEL COVENEY

If the initial impact of John Osborne's raw, vicious and impetuous play had to do with the sound of a spiritedly loud-mouthed young generation on the British stage, time has done nothing to reduce its unmistakable voice of truth, despair and contempt. Jimmy and Alison Porter have lived in this one room for four years while running a sweet stall. There is nothing in the Sunday papers that corresponds to their lives and Jimmy will relieve the monotony of cups of tea and the weekend ritual of wading masochistically through pages of hostile print only by going along the corridor to blow his trumpet "as though he wanted to kill someone."

Festival Hall

Elgar

by NICHOLAS KENYON

The prospect of Thursday's juxtaposition of Elgar's First Symphony (1908) with his Cello Concerto (1919) in the Philharmonia's fine Elgar Festival sent me back to an article which Donald Mitchell wrote on the centenary of Elgar's birth, in 1967. How to explain the complete contrast—within Elgar's immediately identifiable musical language—of content, mood and aspiration between these two works? Both pieces are unquestionably great, but while the Cello Concerto is a more lucid, concise statement, the earlier Symphony promises so much—the breadth of its vision is so wide, its emotional penetration so sharp—that the narrowing of scope in the later work comes as a shock. Without any loss of quality in his music, Elgar's horizons became restricted.

'Beowulf' at the Cottesloe

Puppet Theatre 79, an international festival, is presenting at the National Theatre a production of Beowulf, a large-scale theatre piece involving actors, puppets, masks, music and words. It is to be staged in the Cottesloe Theatre, the NT's small auditorium, from Tuesday, March 28, for eight performances.



Dawn Archibald (foreground) and the People Show

Chapter Arts Centre, Cardiff

People Show No. 78 by MICHAEL COVENEY

Looking for narrative threads as an aid to critical assessment is often a dangerous game to play, not least when the work under consideration is that of the People Show. The troupe dates from the mid '60s and the work remains as fresh, challenging and entertaining as ever it was. This is indeed the 78th show and one specially prepared for the Chapter Centre, in the same way as such progressive Amsterdam venues as the Micky and his merry band to work for some years now.

Covent Garden

The Sleeping Beauty by CLEMENT CRISP

There can be few more terrifying prospects for a young dancer than a first appearance as Princess Aurora. The Sleeping Beauty is the supreme challenge in the art to which Rosalyn Whitten has devoted herself. If the interpretation of the central role falls, the whole piece falls—no matter how well the supporting company rallies round the heroine. Within a couple of minutes of entering the stage, the apprentice ballerina must launch herself into the Rose Adagio, one of the most demanding passages in the whole 19th century repertoire.

Arts news in brief...

English National Opera North (ENON) announces that Leeds City Council has offered strong financial support for the next municipal year. The controlling Tory group on the council has agreed to give the opera company £200,000 for its first full 1979/80 season. Backing for the Leeds-based opera company has also been promised from both North Yorkshire and South Yorkshire County Councils.

Newcastle Playhouse

Julius Caesar

by B. A. YOUNG

Bill Alexander was the winner of last year's Hugh Beaumont Award as the best director in the Fringe. He is also one of the Royal Shakespeare Company's team of young directors whom we never see in Shakespeare. So it is especially interesting to find out what he has made of Julius Caesar for the Tynnewear Theatre Company. In spite of his exposure to the political atmosphere of the Warehouse, he has not fallen into the trap of equating Caesar's Rome with Mussolini's. This tempting analogy has never proved more than visually apt. A truer analogy, if we must have one, is with the English Civil War (and while I am passing that landmark, let me correct a former inaccuracy and give proper credit to Sebastian Graham-Jones for directing The Putney Debates).

Theatre Upstairs

On Top by B. A. YOUNG

Perching timorously in the thick undergrowth of Liane Aukin's writing, there is a feasible dramatic idea. Cissie, having known a lover and a husband without establishing a family, lives withdrawn in an unfurnished flat. She is visited there by a little boy, son of one of the neighbours, and begins a maternal affection for him. His father is arrested for some political offence, and the boy disappears.

Popular opera at the Riverside Studios

Peter Knapp's newly formed opera group—The Singers Company—will perform at the Riverside Studios with the New London Chamber Group (conductor Stephen Barlow), a new production of Offenbach's La Perichole on February 14 and 17 at 7.30 p.m. and revive Mozart's Così fan tutte (seen at Riverside last year) on February 16 and 18 also at 7.30 p.m.

SOCCER by TREVOR BAILEY

A new dimension in the League

THE SELECTION of Watford's goal-scoring discovery, Luther Blissett for the England Under-21 squad, and the inclusion of Laurie Cunningham, of West Bromwich Albion, in the senior squad are simply two further examples of the increasing number of quality black footballers in English League football.

Greenwood's future plans. Long-legged, he moves very fast over the ground without appearing to do so, has the ability to dribble past opposing defenders, crosses with accuracy and knows how to score goals with both his head and his feet.

RUGBY UNION by PETER ROBBINS

England-of-old squander chances

THE CENTENARY Calcutta Cup match between England and Scotland at Twickenham on Saturday began with a brilliant try by Slemen scored before many spectators had settled into their seats.

When Bennett kicked a penalty after 15 minutes, England supporters could have been forgiven for thinking that their team was home with plenty to spare in terms of points.

FINANCIAL TIMES SURVEY

Monday February 5 1979

India

Need for firm action

By David Housego

ASKED ABOUT the current performance of India's economy at a Press conference recently, Mr. Morarji Desai, the Prime Minister, described it as "not bad, but could be better."

Heads of government rarely give such an honest assessment. But the dryness of tone is equally typical of Mr. Desai's fallings as a politician—in a country so fond of rhetoric—to restore popular confidence in his Janata Administration, which came to power two years ago on such a tide of enthusiasm.

With certainly no more under her belt in terms of economic achievements, Mrs. Indira Gandhi convinced a great many people in the last days of the Emergency that India was indeed "on the move," as her Congress Party slogans proclaimed.

Instead, today it is largely the senior officials in the Government, rather than the Janata politicians who point out that, in comparison with the admittedly slow growth rates of the decade 1965-75, India has been doing rather well over the past 18 months.

It is also mainly foreign observers who contrast the political turmoil in Pakistan, Iran and Turkey—countries with whom India has often been

compared unfavourably—with the resilience of India's political system.

To Indians, however, the image conveyed of the Janata Government is of continual squabbling between factions led by ageing leaders—with, at its heart, a quarrel now patched up between Mr. Desai and his powerful rival, Mr. Charan Singh, who was sacked as Home Minister but has now been taken back into the Cabinet as Finance Minister and one of two Deputy Prime Ministers. For months the squabbling seemed to paralyse the Government.

Recovered

It also sank in popular esteem by allowing Mrs. Gandhi to make a fool of it by expelling her from Parliament, and then locking her up in prison for a few days after her by-election victory at Chikmagalur. The Administration has let the impression grow, whatever the official statistics may show, that violence is on the increase and more working days are being lost through strikes.

It has failed to demonstrate to the minority communities of Muslims and Harijans ("Untouchables") that it can offer them the same protection that Congress did—a point that Mrs. Gandhi has been quick to exploit.

The divisions within the Janata leadership have been reminiscent of the wrangling among the political bosses of the Congress Party 10 years ago—also a period of weak government but high rates of public investment.

The battle then, which Mrs. Gandhi won, was for supremacy over the powerful Congress machine and over Government. But since the coming to power of the diverse groups that form the Janata Party, there has been a departure from the post-independence tradition of a

hierarchical Government, dominated by a single personality (Jawaharlal Nehru and his daughter), towards rule by a coalition of interests in which

Good harvests, strong exchange reserves and low inflation are among the favourable factors which should be encouraging India's rulers to make a real assault on the widespread poverty and other social problems of this, the world's largest democracy. But an irresolute Government looks in danger of letting the opportunity slip.

the Prime Minister's role is more limited. The change has now been more or less institutionalised by the appointment of two deputy prime ministers under Mr. Desai.

Whether such a system (more reflective of the diversity of the country) can effectively co-ordinate policy, has yet to be proved.

But the lack of unity within the Government has at least meant that no single faction has been able to impose its views on policy to the extent of provoking new strains in the country.

Mr. George Fernandes, the Socialist Minister for Industry, has not been able to get his way on further nationalisation, no more than Mr. Charan Singh was able to put into practice his nostalgic dreams of restoring India to a pastoral economy. As Minister of Finance, he will have more of a chance to press for allocations in the budget for agriculture and rural developments, but he will run into strong opposition if he attempts to penalise industry.

A weaker central authority has meant a part return to the original federal structure of the constitution. The States have recovered some of the powers they had under Nehru when strong chief ministers had the stature to hold their own against directives from New Delhi, and before Mrs. Gandhi shifted the balance by appointing men subservient to her to head State governments.

Though there is resistance among civil servants in Delhi to any loosening of "the steel

frame" that holds the union together, the case for greater devolution is becoming widely accepted, especially with the economic priority being given to local schemes of rural development.

But, as a result, there is already a growing distinction between States with strong administrations (Rajasthan and the Marxist Government in West Bengal) and those under inefficient management (Uttar Pradesh and Bihar). Such disparities are likely to grow as States compete with each other for resources.

The tragedy from the Janata's point of view is that its future as a National Party hangs on success in UP, Maharashtra and Bihar—States whose administrations have been weakened by the quarrel between Mr. Desai and Charan Singh.

The absence of firm direction has been less detrimental to the quality of administration than might first appear—and the private sector complains less of interference. Over the last 18 months a number of measures have been taken, for instance, to open up India's vast over-protected economy by relaxing controls on imports of goods that compete with domestic products.

Such measures have required considerable courage because of the opposition of powerful industrial and agricultural lobbies—and because they have laid the Government open to populist charges from Mrs. Gandhi that heavy imports are running down the legacy of foreign exchange reserves that she left the country.

In similar vein, the Janata's opposition to the further growth of large industrial houses has been turned on its head by allowing them to invest in new cement plants to make good local shortages.

A policy of withdrawing assistance from exporters in last year's budget is now being reversed under the shock of finding that export receipts have dropped this year.

There is a growing list, as well, of companies being allowed to bring in foreign technology. All this points to decisions either being taken by minister or by senior officials and to realism gaining the upper hand over political rhetoric—though, without doubt, the uncertainty of the continuing political crisis has taken its toll on efficiency.

Along with the opening up of the economy, there has been some improvement in the overall growth rate. GNP has expanded at an average of 4.5 per cent over the last five years, compared with a trend rate, post-independence, of 3.5 per cent.

The 7.4 per cent growth in GNP in 1977-78 is expected to be followed by about a 5 per cent growth this year, with industrial production picking up and agriculture benefiting from unexpectedly good winter rains. New investment has come almost entirely from the public sector, but, with capacity utilisation increasing, it should not be long before the private sector increases its outlays as well.

What this encouraging picture

conceals is that there seems to have been virtually no increase in per capita consumption of food over the past decade—meaning that nearly half the population of 600m are as poor as ever. There has also been virtually no reduction in the number of unemployed or under-employed—now about 41m. In a country like India, these are as important yardsticks of development as aggregate production figures.

Dropped

Against such a background of continuing poverty and unemployment it is all the more ludicrous that India should now be in the position it is of having more resources than the Government knows what to do with. The combination of high foreign exchange reserves, ample food stocks and savings as a proportion of GDP exceeding investment, means that over the past 18 months India has been freed of the main constraints that have held back the economy in the past.

It also represents an opportunity unique since independence. In addition to these resources, the Government would have no difficulty in tapping additional foreign assistance or finance that donor nations and banks are anxious to thrust on it.

The high level of surplus domestic resources stems basically from depressed levels of demand and consumption in the rural areas because of the large numbers of people living at subsistence level. The Government view is that additional invest-

ment beyond what is in the pipeline would create excess capacity.

It has thus set a modest annual average growth target in the new Five Year Plan (1978-1983) of 4.5 per cent a year. This is below what it has attempted in most previous plans, below the growth rate of south-east Asian economies and well below the seven per cent target that the Janata Party adopted in their manifesto.

The unwillingness to push ahead with higher levels of investment arises from old taboos, still cherished by a conservative administration, the fear of a new bout of inflation (though wholesale prices are now hardly above last year's level because rural purchasing power is still low); reluctance to depend on foreign aid because of its political vulnerability; a gospel of continuing self-sufficiency that the Chinese are throwing off with more gusto.

The economic priorities of the plan are rightly on raising rural incomes and hence demand through creating more jobs. But unless State governments—and, in particular, in poor provinces, such as UP and Bihar, which together have a population of 160m.—are bulled into coming forward with more development projects (more roads, for instance, to open up their isolated villages and which immediately create more construction jobs), rather than being told that funds are not available, the risk is that the food surplus will climb higher as production increases with new irrigation projects but is not matched by increases in consumption.

Industry could also find itself short of markets as it did from 1965-75. At the same time, without active measures to diminish the income gap, the already strong current of violence between the "haves and have-nots" is likely to grow.

Probably the major legacy of Mrs. Gandhi's rule was to awaken the poor to the chances

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of improving their lot through political action.

In the south, the growing political consciousness of the Harijans and the lower castes has brought governments to power which have promoted their interests. This appeal to the poorest has been the basis of the Congress Government in Karnataka and why Mrs. Gandhi chose to stand in a by-election there.

In the Hindi-speaking belt of the north, the Harijans have come into conflict with the increasingly prosperous peasant class of UP and Bihar—the Jats, Ahirs and Khumisp—who look to national leadership from Charan Singh.

The victory two years ago was locally a victory for this class and they have since used their control over state governments to try to consolidate their political position by reserving more jobs in government service for their members. Their measures to this end have provoked great bitterness and brought the upper castes and the Harijan's in alliance against them.

The bitterness has been reflected in continuing violence in Bihar and UP—destruction of Harijan's houses, the forcible

CONTINUED ON NEXT PAGE

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Varanasi	Varuna	Under Construction
Andaman Islands		Construction Starting Shortly
Khajuraho		Construction Starting Shortly
Calcutta	Pala	Proposed Plan

WELCOMHOTELS



ECONOMY

INDIA II

Signs of stronger growth

BASIC STATISTICS

Table with 2 columns: Statistic (Area, Population, GNP (1976), Per capita, Trade (1977), Imports, Exports, Imports from UK, Exports to UK, Currency) and Value.

EVER SINCE independence India's lumbering economy has seemed immune to Government attempts to lift its growth rate...

Gandhi and is in no shape to take advantage of the present bright position to fight its self-declared war on poverty and joblessness...

and helping to finance the developed countries' growth. The year the reverse is likely to be the case...

responsible for all the shortages which have arisen so far. The debate over nationalisation and the rule of the so-called 'large houses' continues too...

able on what the Government has planned to do or says it will do, virtually none exists on what it has achieved...

If this impact is achieved, the outcome will still be modest. But then the problems of poverty and unemployment in India can only be described as enormous...

investments of up to Rs 50m go ahead without a licence has made the international 'corridor' for industrial licences unnecessary for the small-scale industrialist...

activity in the OPEC countries, and it is this which officials are keeping close eye on in their reserves policy.

In India right now, both the Government and Ministers are once again being put to the test on the economic front...

India's strong external position stems from continuingly large remittances from Indian workers abroad and also from high invisible earnings from shipping and air transport...

Record In 1977-78 most of the country's growth of perhaps 7 per cent was contributed by agriculture. Apart from the record grain harvest of 128m tonnes...

This activity, however, is mainly concentrated in the public sector, where investment is said to have risen 30 per cent (from rather low levels before) last year and to be heading for 20 per cent this year...

Along with the improvement on the capital goods front there are incipient signs that demand for consumer goods is also picking up, even in the rural areas...

On the industrial front there is the question of whether small-scale industry is the best means of producing items like soap or matches which are already being produced on a large scale at an economic cost...

For all this the balance of payments position remains satisfactory. Foreign exchange reserves (excluding gold and SDR holdings) stand at around \$6.5bn, or about a year's imports...

Some people say remittances will fall more sharply because India is insisting on better conditions for its workers, but this seems unlikely.

Action

CONTINUED FROM PREVIOUS PAGE

seizure of land and disturbances at the universities that have left some closed for almost two years. In addition, there have been communal clashes in Lucknow and Aligarh...

The Government's almost impossible problem is to live up to some of its election promises on alleviating poverty and unemployment, to demonstrate that it can govern effectively without resort to the measures Mrs. Gandhi took...

well as encourage a drift towards the type of authoritarian government that produces short-term results, but which, during the Emergency, showed that it had no solution to the country's long-term problems.

In the eyes of an unworried administration private sector investment is a "leg" rather than a "lead" factor in India and of marginal rather than central significance in the overall progress of the economy.

Hard evidence for its success is difficult to come by however. The aim is to reduce poverty and increase employment, and recent data on both are simply unavailable.

Modest If it is too early to look for results in terms of Janata's ultimate objectives, it is not too soon to see the consequences on both the agricultural and industrial fronts of its moves to liberalise the economy.

Some people say remittances will fall more sharply because India is insisting on better conditions for its workers, but this seems unlikely.

Chris Sherwell

The Janata Government thus finds itself in power at a time of widespread social and economic upheaval of which the Emergency was certainly a symptom.

Mrs. Gandhi is confident that she is determined to become Prime Minister again. She shows little sign of looking for advice beyond the small circle of family and confidants who stood by her in the Emergency...

There is room for genuine debate over whether the more open system of government of the Janata Party or the more disciplined approach now being attempted in Sri Lanka is the more appropriate for India.

Just as last year's argument inside India over who is

POLITICS

Lack of leadership

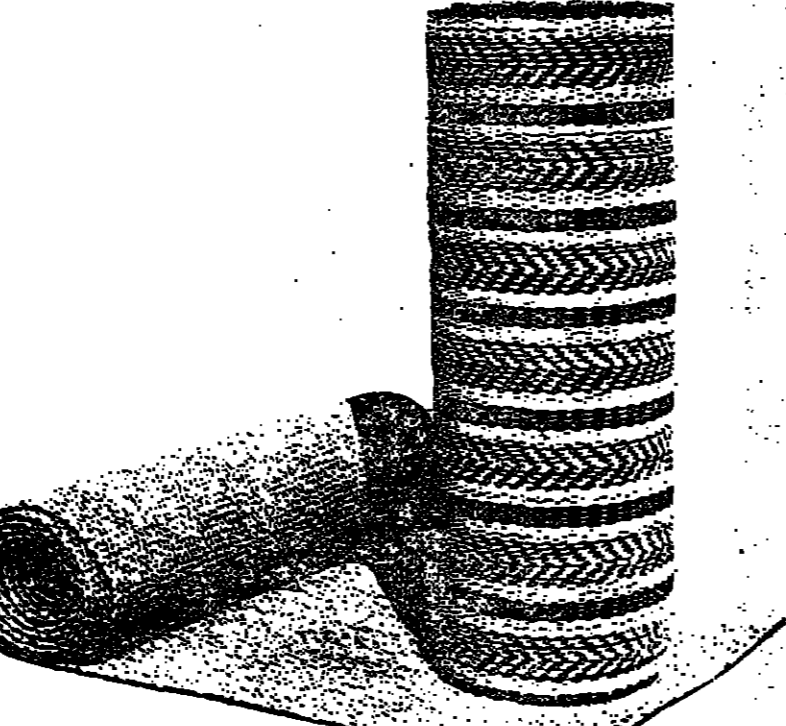
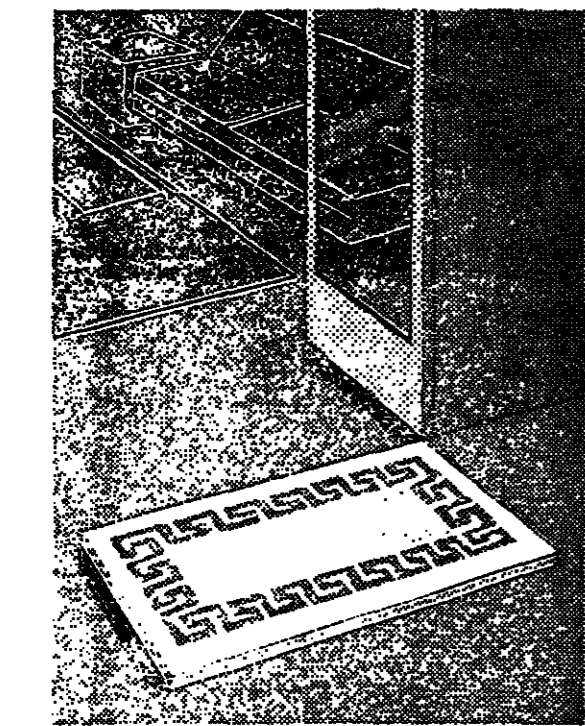
THE EUPHORIA evident two years ago when the Janata Party swept Mrs. Indira Gandhi's Congress out of power has given place to despair.

The break between the two came over the issue of punishing Mrs. Gandhi for her Emergency excesses but this was really the pretext. The squabbling between the two men showed that the real cause was Mr. Charan Singh's unfulfilled ambition and Mr. Desai's rigidity.

silently, in the past two years and the three States controlled by it have been ruled with an efficiency that is lacking in other Janata-ruled States.

selected for her by her protégé, Mr. Devaraj Urs, Chief Minister of the State. She has announced that if she contests again—and there is little doubt that she will and that she will win—it again will be from Chikmagalur.

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Personalities have always counted for more than ideology in Indian politics so it is not surprising that the near-collapse of the experiment is due largely to personal quarrels and disharmony at the top.

Some in the Janata Party feel that it is the failure to carry out a socio-economic programme that has led to its loss of popularity, hence the recent attempt to project an ideological image.

However, its Hindu ethos and the suspicions with which RSS activities are viewed are factors against it, especially in a country where there are millions of Muslims and other minorities and where the South fears its linguistic fanaticism.

Most politicians in the country are contributing towards the general belief that they are in the business of politics to feather their nests rather than to serve the electorate and the people.

Whims The Janata has neither. There is no commanding figure at the head. Mr. Morarji Desai has attempted a curious mixture of ruling by seeking a consensus on some issues while imposing his personal whims on others, making himself almost universally disliked in the process.

The disenchantment with Mr. Desai has grown because of his prolonged inflexibility over the resignation of Mr. Charan Singh, leader of the Bharatiya Lok Dal (BLD) faction in the Janata, who has just been taken back into the Cabinet after seven months of public quarrelling.

Now wearing a martyr's halo because of her week's spell in jail on being held guilty of breach of privilege by Parliament, Mrs. Gandhi has forced the Janata to let the impression grow that she has atoned for her Emergency sins.

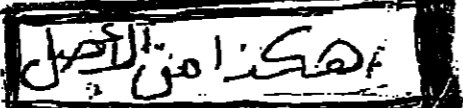
This warning is timely in view of the growth of regional parties and a weak Government in power at the federal level.

The job reservation scheme for backward classes in some States has exacerbated the personal caste factor.

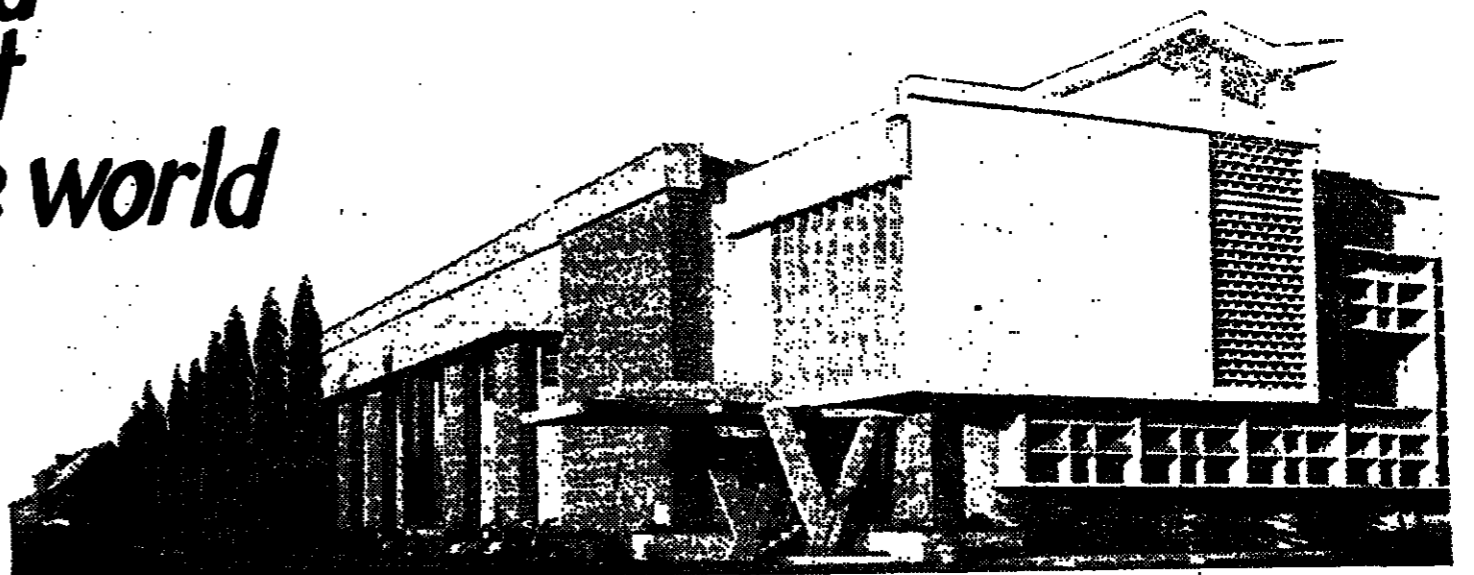
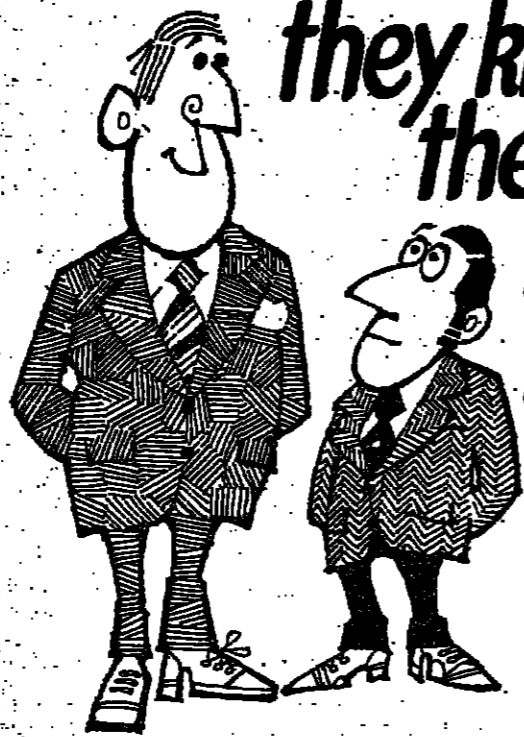
Not matter how powerful the support that Mr. Charan Singh has, it is the Jan Sangh's role that is crucial in future alignments in the Janata. The Jan Sangh has grown, almost

Mr. Gandhi could return to power but, despite her impressive gains, she has a long way to go unless the Janata crumbles and provides her with a windfall.

K. K. Sharma New Delhi Correspondent



...next thing
they knew
they were
second
largest
in the world



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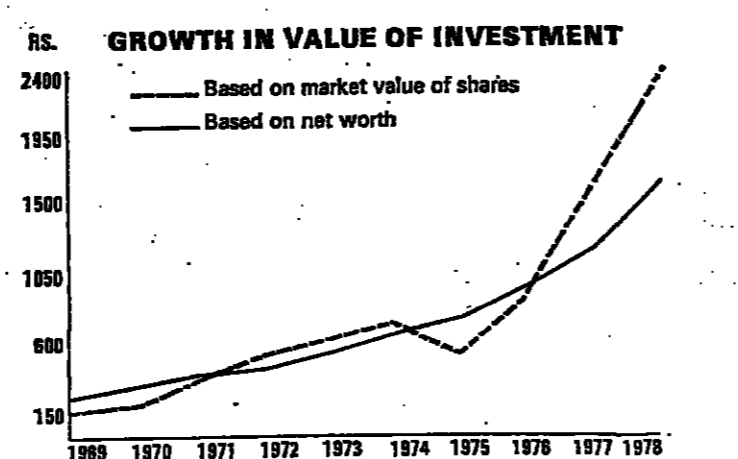
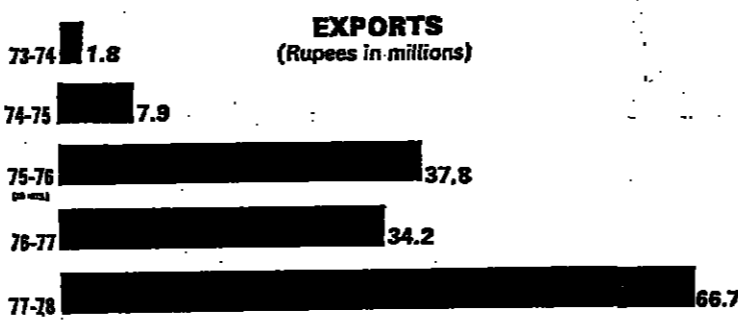
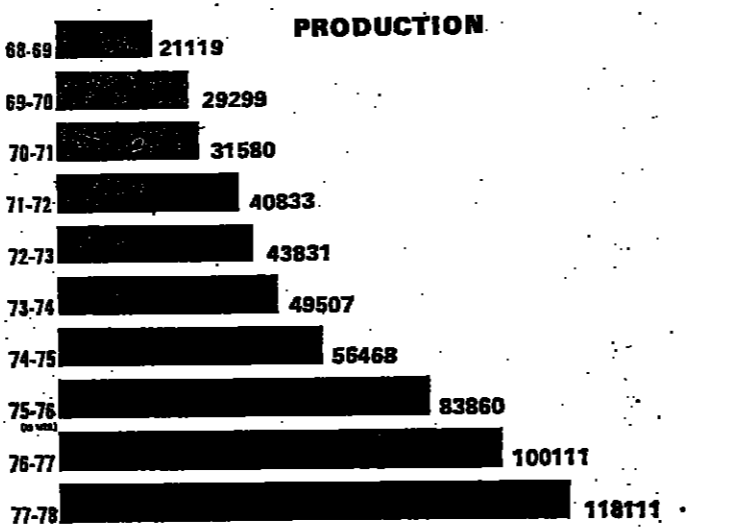
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The company is working vigorously on its plans to double scooter output in the next couple of years.

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JAMNALAL SONS LIMITED

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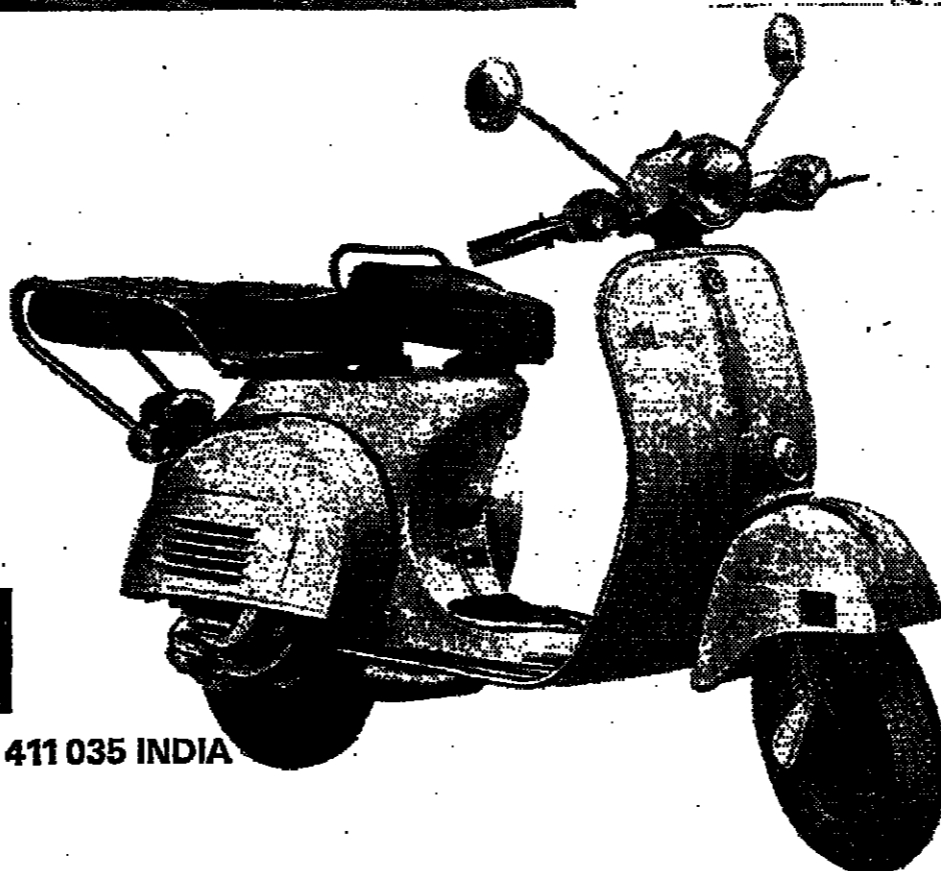
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AGRICULTURE

Self-sufficiency in sight

INDIA IS heading for its fourth successful foodgrain harvest in a row. People are speculating seriously that the country is close to insulating itself from the ravages of the weather—that it is now in the midst of a second Green Revolution thanks to fertilisers, pesticides and improved cultivation techniques. If they are right, India could be experiencing one of the world's most important agricultural developments in a decade.

In fact, the picture at the moment needs more sober interpretation. The struggle for food self-sufficiency in India is a race against population growth, and it could well be lost unless family planning policy is hauled back from its present disastrous state. Against the 17m tonnes of foodgrain kept mostly under tarpaulins all across the country—a stock twice as large as necessary even on exaggerated estimates of future security needs—must be set the uncon-

fortable fact that millions of people remain undernourished if not actually starving.

It is not yet certain whether any amelioration in these people's condition owes anything to the Janata Government's laudable strategy of emphasising rural development. No one doubts that good monsoons have been an essential pre-condition for the improved harvests of recent years; indeed, the weather is one of the principal reasons for the Indian economy's favourable outlook, along with healthy foreign exchange reserves. But officials are convinced that the Government and administration can take much of the credit for the continued good performance.

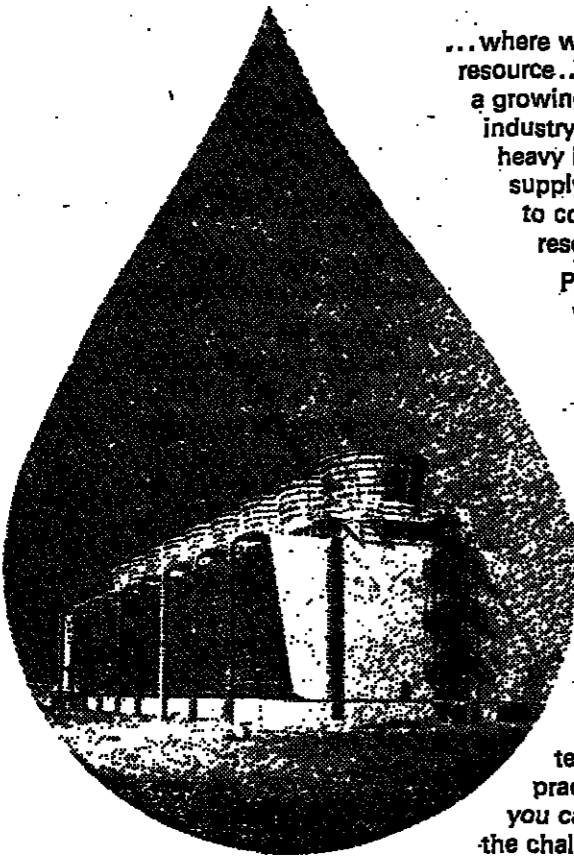
The rise in rice output of more than 25 per cent last year, the highest increase ever, is said to mark an acceleration of the first Green Revolution. India's rice zones as high-yield varieties are more widely used.

The rise in rice output of more than 25 per cent last year, the highest increase ever, is said to mark an acceleration of the first Green Revolution. India's rice zones as high-yield varieties are more widely used.



Young girls sorting dried chillies in a field at Sonapat, Haryana

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There was also an encouraging increase in the use of phosphate as opposed to nitrogenous fertiliser. Last year alone consumption of fertiliser soared by almost 900,000 tonnes, and it could rise by almost as much this year, reinforcing the prevailing hopes of another good performance.

Variety

The better performance also owes something to improved plant protection techniques, better extension services and greater stress on rural credit. In addition, thanks to the decision to free the internal movement of grain, people are not only free of shortages, they are also offered greater variety and at reasonable prices. So much confidence is there that, according to one assessment published in India recently, the country has emerged from its "scarcity trap" and the economy ought to be equipped to meet emerging agricultural surpluses. Exports are even mooted as a possibility, and last year India exported rice to Indonesia.

Against this back-slapping must be set the Government's self-appointed task of tackling poverty and joblessness in the rural areas through agricultural development and the creation of small-scale industries. On this count it seems that, despite

the distressing lack of information let alone hard statistics, little has been heard yet.

If there is to be any improvement in the plight of the landless labourer, land reform is essential, the Government's most radical critics say. That is, absentee landlordism should be abolished and landowners should become land tillers as well. Landless labourers do not benefit from the Government's rural strategy, the argument goes, because credit, inputs and so on go to the better off; that is, the farmers and middlemen. Therefore, even if the local village shops are gratefully full, these labourers have little money to spend in them, for although their wages may have improved (broadly speaking), the benefits has been lost through inflation, a swelling in their own numbers and farmers' cutbacks in the use of labour.

Land reform is almost impossible, however. Landowners already have evaded those that have been applied, and the Government lacks the political will to do more. It is not a matter of dealing with a few thousand large landowners; it is a matter of breaking up comparatively small holdings of land belonging to maybe 100m people—and then, if the radicals have their way, going over to collectivisation. The harsh fact is that India's bureaucracy probably would not

be up to it even if the politicians were.

As a result, the Government's strategy relies broadly on a "trickle down" effect, in which more intensive cultivation might lead on balance to greater production, even if the introduction of new techniques might also involve some replacement of labour. The trouble is, the strategy also has equated rural development with helping peasant producers rather than rural consumers; this means giving the very powerful peasant farming lobby pretty much what it wants, which is high procurement prices, instead of lowering retail prices.

What is more, even now it seems that the beneficial "trickle down" effect will be small compared to the magnitude of India's poverty problem. Officials reckon that the detectable growth in demand in the rural areas for consumer goods such as soap, cloth and even gold cannot all be explained as purchasing by better-off landowning peasants. All the same, some other means almost certainly will have to be devised to give substantial help to the landless labourer who is the target of the Janata strategy.

So far there has been only the "Food for Work" programme, in which labourers on public works programmes are paid in kind. A better oppor-

tunity is presented by diversification in agriculture, for example by the expansion of livestock farming, fisheries and forestry. Small-scale industries—weaving, handicrafts, carpentry—offer another possibility, but the problems of credit, technology and marketing are all large. Rural banks are being established, but while repayment of loans poses a problem, the real difficulty appears to be a lack of demand rather than lack of collateral among those to be assisted.

For all these difficulties, the Janata Government clearly has a functioning agricultural policy. If it is true that most of the benefits are going to the already better-off farmers of the Punjab and Haryana, as seems to be the case, still the expansion of irrigation use of new varieties of seed and more intensive use of fertilisers are all helping the country as a whole. Quite how much Government policies have contributed to the upturn which began with the weather is unclear, and is mostly the pre-occupation of people in city offices rather than green fields. But if agricultural output continues to grow faster than the historical trend rate of 2 per cent, government policy will make a big difference between continued poverty and improved well-being.

Chris Sherwell

FOREIGN POLICY

Changes bring doubts

AFTER ITS remarkable foreign policy successes during its first year in office, the Janata Government is approaching the end of its second far less happily. Events have not gone India's way, the earlier initiatives have been less productive than Janata hoped, and its own steadfastness at home has been damaging.

Certainly things looked much rosier early last year. India's policy of "genuine non-alignment" had brought a closer relationship with the U.S. and contact with China on the super-power front, without harming more traditional links with the Soviet Union. Its "good neighbour" policy closer to home held out real promise of improved relations with Pakistan, Bangladesh and Nepal and also with Afghanistan and Iran.

Now, although there have been significant achievements and India is both sought after by the super-powers and on better terms with all its neighbours, things still look less than satisfactory. Amid doubts about Soviet intentions, vast and unpredictable changes in China and U.S. uncertainty over Iran, India is less sure of the world around it than ever, and though strong, it has few reliable friends.

Improved relations with the U.S. have been hampered by the continuing problem of fuel supplies for the Tarapur reactor in Bombay. Underlying this is the vexed nuclear proliferation issue, over which both sides are reaping the consequences of their own understandable stubbornness.

Because of India's 1974 explosion of a nuclear device, the U.S. no longer sees India as a non-nuclear weapon State. Under President Carter's non-proliferation legislation which comes into force next year, therefore, the U.S. will not be able to supply enriched uranium for Tarapur unless all nuclear facilities are under "full scope" safeguards. Tarapur itself, however, is under IAEA safeguards, and supplies for it

were originally contracted in 1963.

India, on the other hand, regards itself still as a non-nuclear weapon State, saying that the 1974 blast was a "peaceful" nuclear explosion. It believes the 1963 contract should not be superseded by Mr. Carter's legislation, and is threatening to find alternative sources of fuel. One such source is the spent fuel from Tarapur now kept under water, which requires U.S. permission to be reprocessed but which Washington is in no position to take back to the U.S., as is its right.

Objective

India also says that it will not put its name to the nuclear disarmament cause, even though his protests about the discrimination in the non-proliferation treaty are directed at its very purpose.

For all the emotional aspects of the nuclear issue, both countries appear determined not to let it hinder progress in their relations on other fronts. Mr. Carter and Mr. Desai have a close rapport, and exchanged visits in 1978. Mr. Desai sees real compatibility between the U.S. President's emphasis on human rights and his own thinking. Under Mr. Carter, the U.S. has made a clear tilt towards India in South Asia, confirming its view of India as the pre-eminent power in the region.

This recognition is what India is after from China as well, but again things have not moved as fast as hoped. A Chinese trade delegation visited India in January, followed by a goodwill mission in March. But the much publicised China visit of India's External Affairs Minister, Mr. Atal Behari Vajpayee, scheduled for October had to be postponed because of his illness, an unfortunate development for such an

important mission. He is now expected to go to Peking this month, but it is still far from clear what will emerge from the trip.

Judging by public statements, no one is expecting very much. India has been suspicious of China ever since its humiliating defeat in the 1962 war, and will be hoping for some sort of commitment to discuss the border problem, especially the northern area of Aksai Chin where in 1969 it was discovered that the Chinese had built a road, virtually annexing thousands of square miles of territory.

The timing of America's normalisation of relations with India seems unlikely to help in all this, inasmuch as it strengthens the notion of a U.S.-China-Japan axis. Vajpayee may therefore only return with promises of increased trade and cultural exchanges.

Even then the improved atmosphere will help India to normalise relations with its immediate neighbours, including Pakistan, whose attachment to China is close. Curiously though, India is not prepared to put its border dispute with China on ice, as it has been prepared to do with Pakistan.

To judge by its actions the Soviet Union is nervous over the prospective improvement in Sino-Indian relations, leading over backwards to favour India. As a result the Janata Government probably has more to show in this respect than its predecessor did, despite Mrs. Gandhi's criticisms that this relationship was being impaired by the Janata policy of "genuine non-alignment".

The two countries signed an important 10-15 year collaboration agreement in March, and later the Soviet Union offered to help India meet some of its cement, coal and oil requirements. They also resolved the old rupee-rouble dispute on terms favourable to India. All this has produced an assurance from Mr. Vajpayee that India would not normalise relations

with China at the expense of the Soviet Union.

India has nevertheless grown more suspicious of Soviet intentions, and this is widely regarded in the West as an important change in Indian thinking. Though India was one of the first to recognise the new Soviet-orientated socialist regime which came to power in Afghanistan last April, and Mr. Vajpayee visited Kabul subsequently, India's private view appears to be one of concern about internal developments in Afghanistan, particularly if the consequences spill over into Pakistan. If they then affect the southern Pakistan province of Baluchistan, which is the key to age-old Russian ambitions for a warm water port, India's and the West's worse fears about Soviet involvement in the region could be confirmed.

Magnified

These worries about developments on India's western front have been magnified by the Iranian crisis, although the practical problem of alternative oil supplies appears to have been resolved thanks to agreements with countries like Iraq. Relations with the Shah were good. When he visited India early last year there was much talk of regional economic co-operation, and Iranian investment in projects like Kudremukh, the biggest mining operation in the country, were of real importance. Now India watches developments in this and other Muslim countries with genuine concern.

The continuing instability in Pakistan, for example, is a vital element in all this. Although people in Pakistan fear as much as ever the breakup of their country and imagine that their neighbours have such an alternative in mind, developments in Afghanistan and Iran are said to have reinforced the opposite view in India, where Pakistan's role as a buffer state looks all the more necessary, if no closer to realisation under military rule.

India's relations with Paki-

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INDUSTRY

INDIA V



Steel tubes in the making at Bharat Steel Tubes factory in Gaur, Haryana. The factory can produce 200,000 tons of tubes a year

Test of confidence

MR. GEORGE FERNANDES, Minister of Industry, has recently been publicly giving himself a pat on the back. This is partly because of improved production in 1978 after a relatively dismal performance the previous year and partly because he thinks that both his and the Government's image badly need to be improved. Yet there are still many imponderables on the industrial scene, and private industry and independent observers do not share Mr. Fernandes' exuberance while acknowledging the dynamism he has undoubtedly brought to his charge.

Overall industrial production is said to be running at the satisfactory growth rate of over 8 per cent and thus maintaining Mr. Fernandes' target of 7.3 per cent in 1978-79 compared with the meagre 3.5 per cent registered the previous year. But demand constraints have given way to supply difficulties. There are now shortages of some industrial raw materials—namely steel and power—which are being partly met through imports. The pickup in demand for consumer durables is not nearly as good, and there is considerable surplus capacity in items like refrigerators and others catering to what some like to call "elitist" demand. The "organised sector", reflected in the official industrial production index, is being closely monitored and is, on the whole, doing much better than in 1977, although the improvement is over a low base.

But the Government's success or otherwise in industry will be judged not so much by how far it has been able to remove the constraints that held up progress two years ago or the percentage increase that some sectors are apparently showing. The test it must subject itself to is the success in translating into practice its policy of encouraging small and rural industries and thus making a dent in the employment problem that it has promised to eliminate in a decade (of which two years are nearly over).

Confidence

It must also answer how far it has inspired confidence in the private sector, as it has traditionally been defined, and this means the relatively large units in whose hands are critical areas of the economy. The Government will also have to answer for the sudden deterioration in the performance of the public sector to which a dominant role continues to be given.

Private industry can hardly be said to be happy with Mr. Fernandes' recent pronouncements favouring nationalisation of such key sectors as steel, aluminium and motors. He wants this ostensibly on the ground that these industries have not tried to make technological advances. This is substantially true of the motor industry, although it has not

really been encouraged to do so in a sheltered market for products that largely serve the better off. Yet suspicions of populist motivations in Mr. Fernandes' pronouncements must be strengthened when he refers to steel where just one of the five integrated plants is in the private sector (Tata Iron and Steel) and even there the equity holdings are widely dispersed. As Mr. J. R. D. Tata says, the concept of a mixed economy is in danger.

If steel availability has emerged as a constraint—the Government has decided to import 1.1m tonnes to meet the shortage—it is because of the poor performance of the public sector plants. These, in turn, blame the public sector coal industry for failing to meet their needs. It is also due to poor investment decisions in the past, which have meant that additional capacity is coming up slowly. The result is that the target of saleable production during 1978-79, set at a relatively low 7.3m tonnes, is unlikely to be achieved despite the increase in production.

The private sector, on that segment of which is described as the "large house", still faces uncertainty and is holding back on investment decisions. Recently, for instance, the guidelines on debt-equity ratio were changed to encourage them to find their own financial resources. Public financial institutions are now barred from coming excessively to their aid. There are sound reasons for this since the large houses seemed to have bagged a disproportionate share of public funds for their growth.

But this comes as part of the policy virtually to freeze their capacities at existing levels. At the same time, the Government is taking "pragmatic" decisions and encouraging the private sector to enter areas like cement and power generation; the large houses have licences in these sectors. This is a tacit recognition that there is a role for established private industry, mainly because of its managerial experience. But because of the official ambivalence, combined with lack of political will, its investment decisions are being held up.

Private industry, in fact, complains of constraints that are common to all sectors of Indian industry. These are among the reasons for the poor performance of the public sector also. Low coal production has hampered not only the efficient running of the railways and thereby caused a transport problem but also continues to affect power supply and steel output.

The power situation now is not as acute as it was—there has been a rise in generation by an impressive 14 per cent over the last year—but this is mainly due to hydro stations and not thermal, which continue to operate well below capacity. Remedial measures are being

taken, including import of generating equipment and installation of new capacity, but power shortages remain and retard industrial production.

So does labour unrest. Government efforts to prevent strikes and lockouts have proved largely unsuccessful, while inter-union rivalry continues and the new Industrial Relations Bill remains stalled in Parliament. In the latter part of 1978 and early this year there have been such major events as a dock workers' strike and bank workers' agitation which are threatening to cripple the economy. If bank workers begin an indefinite strike this month, the effects will be disastrous. The overall labour situation may be judged from the fact that in the first half of 1978, the number of man days lost was just over 8m, compared to 8.12m in the same period of 1977.

That industrial production has, nonetheless, done as well as Mr. Fernandes claims is remarkable. The growth rate in 1978 was maintained even after devastating floods twice inundated areas in the northern and eastern states and further enfeebled coal production by hitting the mine belt in Bihar and West Bengal.

There was, for instance, record production of cotton yarn in the textile industry, which increased by 9 per cent in the first nine months. Production of cotton cloth from the "organised sector", as mills are popularly known, increased by just over 2 per cent, suggesting that there was a substantial increase in the production of handloom and powerloom cloth. This does not mean that the new textile policy, which gives a pivotal role to the National Textile Corporation, is yet a success.

Linchpin

But it does show that the industry which has the largest weightage in the industrial production index is functioning promisingly. Other sectors which have done well despite the constraints on production are aluminium, cooking fat, jute manufactures, fertilisers, oil and natural gas, commercial vehicles and tractors—many of which were lagging behind just a year or two ago.

Little is known, however, of the performance of the small units which are the linchpin of the Government's new industrial policy in the belief that they are employment generating. A planning commission study shows that small industries account for a third of the industrial labour force with only 6.5 per cent of total fixed capital. Units in the new "tiny" sector—with an investment of less than Rs 100,000 (£6,200)—account for 14 per cent of employment with no more than 2 per cent of the total fixed capital.

It is also estimated that investment required to create

one job in the small sector ranges from Rs 4,000 to Rs 6,000; on the other hand, heavy and large-scale industry requires Rs 40,000-60,000. Yet it is also acknowledged that "sickness" and the mortality rate in the small-scale sector is extraordinarily high—although precise figures are not available since these units do not have to be licensed or registered.

Since small units die young because of the inexperience of the small entrepreneur, Mr. Fernandes' answer is the creation of the District Industries Centres (DIC), which he hopes will be established in all the country's 500-odd districts within a year. Under the single roof of the DIC, it is hoped to provide all possible support needed by the small entrepreneur, right from the project investigation stage to provision of equipment and machinery, training, credit and marketing facilities.

Much hope is pinned on the success of the DICs, and this is the reason for the speed with which they are being established. This has caused some disquiet since the Central Government is providing finance for this scheme without really starting a pilot project to determine whether it will be successful. The DICs are meant, after all, to assist the small entrepreneur to cope with his problems; the manner in which they are being spoken of gives the impression that they will be promoters of small industry, a role which is not intended for them. They are already a plethora of organisations for this purpose, both at central and state level.

The urgency is partly because the Ministry of Industry has moved briskly on the policy level. Apart from the announcement of a new integrated policy, it has reserved something like 600 sectors for small-scale units. This is a major gamble, since it means that additional capacity in these is being left to virtually inexperienced hands—and amounts to a commitment to decentralise entrepreneurship as a basis for industrial development without really ensuring that the requisite infrastructural and other facilities are available. The move is in line with the socio-economic objectives of the Government and is not based on economic reasoning since a couple of years ago as many as 30,000 small units were said to be "sick".

Approach

This is being attempted at a time when the functioning of large industrial houses and foreign companies is being severely limited unless they invest in line with the Government's priorities (export-oriented units in "backward" areas or in the "core" sector). The Government plans legislation to bar the entry of the large houses into areas reserved for the small sector. Mr. Fernandes says the Government has a two-pronged approach. In the short run, the production capacities of large manufacturers will be frozen at existing levels. In the long run, they will have to bring down the level of production progressively and ultimately vacate the areas of manufacture.

In this context, the public sector is expected to provide a degree of countervailing power to the growth of large houses. Not only is it expected to produce important and strategic goods of a basic nature; it is also to be used as a stabilising force for maintaining essential supplies to the consumer. The public sector also has the responsibility of encouraging development of ancillary industries and contributing to the growth of decentralised production by making available its technological and managerial expertise to small and cottage industries. Unfortunately, this policy decision has been taken at a time when the collective profits of the public sector have fallen sharply for the first time since it broke even five years ago.

C.S.

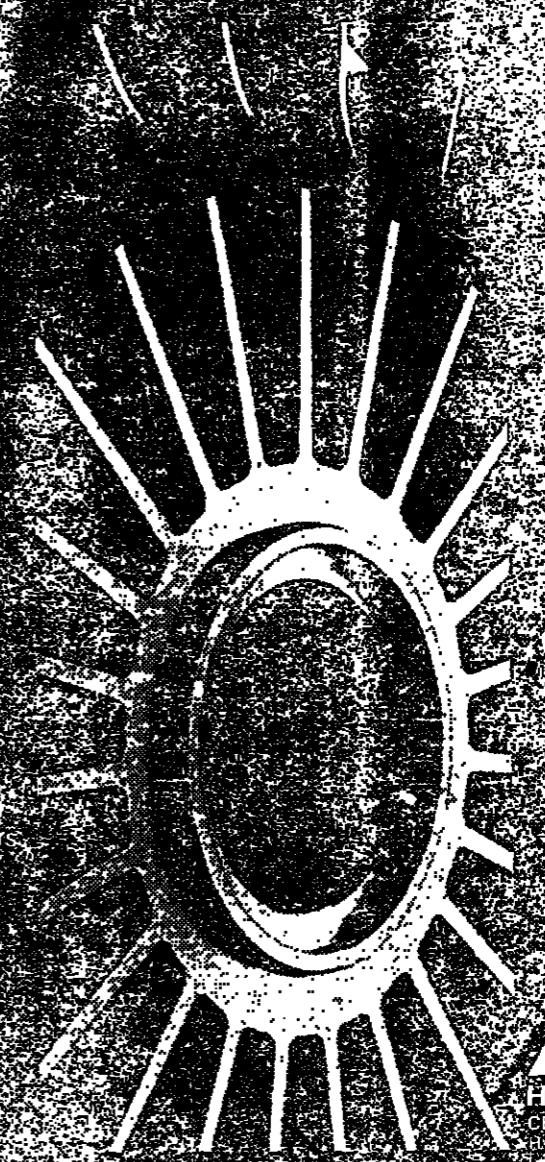
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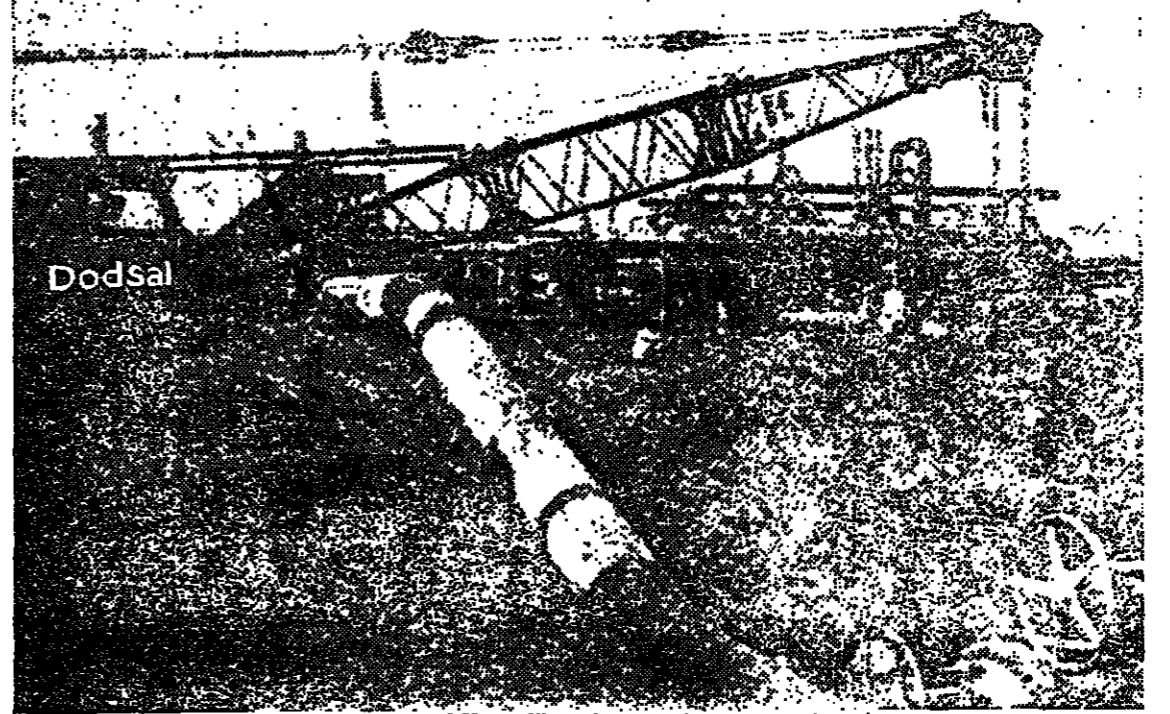
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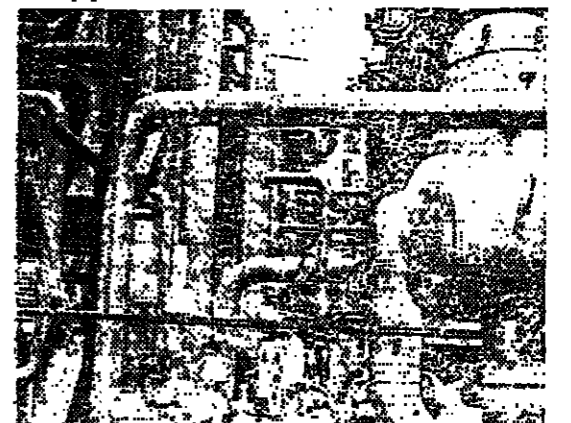


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Foreign policy

tan have been mixed, which makes them better than 12 months ago, but again the year ended on a sour note. Mr. Vajpayee visited Islamabad in February, the first Indian Minister to do so in 16 years, and after a visit to New Delhi in April by Pakistan's adviser on foreign affairs, Mr. Agha Shahid, the two countries reached agreement on the design of a hydro-electric project in the still disputed Kashmir area.

But despite other positive signs—India sent sports teams to Pakistan, Pakistan purchased wheat seed from India and both countries agreed to establish additional consulates—the old antagonisms remain. The two countries twice failed to reach a trade agreement. India was

embittered by Pakistan's attempt at the UN Disarmament Conference to gather support for the idea of a nuclear-free zone in South Asia. And Pakistani statements on Kashmir provoked a strongly worded response from Mr. Vajpayee which he then had to correct.

Antagonise

Mr. Vajpayee's justification for India's continued purchase of Jagan strike aircraft—he said Pakistan had decided to purchase F-3s from the U.S.—a patent untruth—antagonised Islamabad almost as much as the deal itself, which was plainly aimed at Pakistan. However, with the troubles in Iran and the conclusion of a defence and co-operation treaty between

the Soviet Union and Afghanistan, the possibility of an air-craft deal between Pakistan and the U.S. obviously looked greater, particularly as Britain's introduction of new arms technology in the region opened the way for the U.S. to bypass its own arms control legislation.

As far as India's other neighbours are concerned, the conclusion of transit and trade treaties with Nepal has marked a significant achievement for both sides. Likewise, where there had been fears in New Delhi about Bangladesh a year ago, these have now become less obvious as the country heads for elections and in the wake of an accord over the sharing of the Ganges waters.

C.S.

K.K.S.

POPULATION

The hungry millions multiply

WHEN THE Janata Government came to power two years ago, it was officially estimated that there were 20.6m unemployed in the country, of which 16.6m were in the rural areas and 4.1m in the urban. Projections show that the labour force will increase by 29.5m people in five years, or something like 6m a year. The Janata Government has rashly promised that it will eliminate destitution and unemployment within a decade, of which two years have gone. If anything, the employment problem has worsened.

It is a sobering fact that even if the industrial growth rate remains at an average of 7 per cent annually—and this has never been achieved—it will absorb just 260,000 of the unemployed annually. The Government has thus rightly underscored the need for employment-oriented policies through rural development and labour-intensive industry. The fly in the ointment is not formulation of policy but its political acceptance and effective implementation, and this is nowhere in sight. Even the Janata's Plan for 1978-83 remains stalled and its draft is unlikely to be approved before March or April.

In the meantime, the population continues to rise by well over 2 per cent annually. Reliable figures are not available and the exact number of India's teeming millions will be known only after the next census in 1981. But since birth control has not been one of the successful programmes, the population could today be anything between 650m and 680m. The alarming point about this is that not only does the growth rate show no sign of falling but that malnutrition remains widespread despite the attempt to extend health services and increase consumption. No dent has been made in the problem of people below the "poverty line," somewhat arbitrarily defined as income below Rs 80 (Rs10) a month. About 40 per cent of the population remains near starvation level, or something close to the staggering figure of 280m.

If economic growth is slow, the other method to improve living standards is to check the population growth rate so that availability is concentrated among fewer people. It is now officially admitted that "family welfare," the euphemism for

birth control, has lost the momentum it gathered in two decades. The birth rate is estimated at a high 3.4 per cent, far from the "target" of 3 per cent, which itself is by no means low. The gains of economic growth are thus fast being eroded by the growing population, while birth control suffers on account of political vacillation. There has been no Minister of Health and Family Planning since Mr. Raj Narain quit the Cabinet last July.

Not that Mr. Raj Narain was particularly effective. Indeed, by his talk of indigenous systems of birth control, he became the subject of ridicule, and was started saying that family planning was suffering as much from the "Raj Narain effect" as it did from the "Sanjay effect." This is not being entirely fair to him since the fatal blow to family planning was dealt by Sanjay Gandhi and his forcible sterilisation programme during his mother's Emergency rule. The programme has still to recover from the setback it received then.

As Mr. Kavoori, executive director of the Family Planning Foundation, put it recently, the Emergency meant not so much setback to the programme as a change in the nature of the problem. It is no longer individual taboos which have to be overcome but a complex collective resistance which the politicians do not quite know how to overcome. This is the real measure of the damage done by the Emergency, which frittered away the gains of two decades of effort. Before the emergency, family planning did not enter the calculations of political survival as they now do. The Janata Government has been forced to let the family planning programme slide since the scars of Sanjay's forcible sterilisation remain.

Things are such that officials fear that the birth rate will go up rather than down if the present trend continues. It may reach 3.5 per cent instead of coming down to 3 per cent by 1983, as the Minister of State for Health, Mr. J. P. Yadav, recently admitted. In 1978-79, for instance, plans were to bring 8.6m people under various family planning schemes. So far just a seventh of this has been achieved. During this period, it was hoped to sterilise 4m people; up to the end of November, the number steri-

lised was just under 650,000. This is a repetition of the progress, or lack of it, made in 1977-78.

Mr. Yadav admits that the "overall" performance picture continues to be unhappy despite all the efforts that have been made to put the programme back on the rails. With compulsion ruled out, it had been hoped that with the repeated commitment made by the President and the Prime Minister to family planning, the country would accept various other methods of contraception. Unfortunately, even this has not happened. Doctors have been found to be as inhibited as others in suggesting birth controls, and they were considered to be the best "motivators." Their hesitation is also linked to the stigma they earned during the Emergency.

A slight improvement is that the programme is now officially back in favour—one sign is the replacement of the euphemism "family welfare" by family planning. January was observed as "Family Planning Month" as a part of official programmes associated with the Year of the Child. Efforts are being made to give incentives to doctors and to associate groups like trade unions, the organised sector of the economy and private groups. The State Governments are raising "incentives." Madhya Pradesh, for instance, has increased the amount paid to people volunteering for vasectomy and tubectomy operations from Rs 70 to Rs 125.

The age for marriage is to be raised to 18 for women and 21 for men. If a woman has her first child after 21, she will be entitled to a gift of Rs 100. If the second child is born after an interval of four years, and if the couple accept some method of birth control, they will then get another Rs 200 (in addition to the Rs 125 they can expect if one of them is sterilised). People who "motivate" others to be sterilised will get Rs 15 for each vasectomy and Rs 10 for each tubectomy operation. This is a significant step forward, because such "motivation" was widely misused during the Emergency and made sterilisation a greatly feared operation. After some prodding—including an urgent message from J. P. Narayan—the Government is

showing welcome signs that India has no alternative but to decelerate the birth rate sharply. Mr. Yadav says that the target is to achieve 25m sterilisations in the next five years, which means roughly an increase to five times the present rate. In view of the suspicious over-sterilisations, particularly in the Hindi-speaking northern States, where Mrs. Gandhi's Congress Party was wiped out in the 1977 general election just because of her son's activities, this seems an impossible target. Yet the fact that the Government is no longer afraid to use the word "target" in this context is hopeful.

In fact, one of important measures taken by the central Government is the instruction

sent to the states that they must assign "targets" to field workers, including doctors, and not just "levels of performance" as they were asked to achieve after the emergency. It has also told the states that as much as 8 per cent of financial assistance to them for development will be linked to their "performance" in the field of family planning. The states have been asked to revive "sterilisation camps," when family planning fortnights are observed, but how far this will be carried out remains to be seen since it is reminiscent of the emergency.

Privately, some Ministers even say that eventually some kind of compulsion will have to be resorted to, although they are unwilling to say so openly. Such

attitudes could, however, retard the programme since there is already the phenomenon of a collective resistance to tackle. What is also disconcerting is that the central Government is leaving the programme almost entirely to the states, and certainly the answer does not lie in passing the buck. As a family planning expert says, the least the central Government can do is to work out a truly national programme, complete in terms of the goals to be adopted, the funds available for it and the suggested means for the realisation of targets. Only then will it be possible to achieve the theme of the family planning month: "Delay the first, space the second and stop the third."

K.K.S.

FLOODS

The waters roll on unchecked

FLOODS BRING devastation and tragedy every year to northern and eastern India, and it is remarkable how quickly they are forgotten. Flood control measures have been taken since 1954, and yet when the annual visitation comes there is an air of total bewilderment in officialdom. Just as surely as floods will come after a plentiful monsoon so will there be fresh plans for flood control, new arrangements for relief, promises of higher outlay on dams and embankments.

Last year's floods were undoubtedly the worst the country has experienced in living memory, and the States affected are still recovering from them. At a conservative estimate, about 2,500 lives were lost, 67m people were affected, 21m head of cattle died, 3.3m homes were washed away and 9.3m hectares of crop land were submerged.

West Bengal was the worst affected. Swept by three waves of floods in less than eight weeks, nearly three-quarters of the state was under a vast sheet of water for nearly a month. The damage is estimated at nearly Rs34bn. The magnitude

of the Bengal disaster is such that it eclipses the enormous damage in other northern states like Uttar Pradesh, Bihar and Delhi earlier in the year and Tamil Nadu just last month.

Predictably, the central Government's response was to express concern over the amounts demanded by the states for relief, with West Bengal alone seeking Rs3.5bn. Even though the heavy expenditure of Rs4bn was eventually disbursed among the affected states which suffered damage, this was not nearly enough. Indeed, many of the states argue that this will affect their future development, since under the formula for assistance to areas hit by natural calamities, disbursements come as "advance plan assistance" and thus use up central aid for development programmes before it is actually due. The formula has now been revised, but the new dispensation will come into effect this year and much irretrievable damage has been done.

The pity is that the tragedy could have been at least partly avoided if the Government had

only fulfilled the lofty promises made over the past three decades. It has been known for some time that about 25m hectares are subject to annual inundation, that the yearly damage from floods is of the order of Rs 18bn (£1.1bn), the aggregate loss up to 1978 being a formidable Rs 369bn (£22.9bn). An awareness of the dimensions of the disasters prompted the creation nearly three years ago of a National Floods Commission. This was expected to take into account conditions in the Ganges and Brahmaputra basins, suggest short-term preventive measures and draw up a long-term plan to correct the imbalance of nature. This can no longer be ignored, since water management is vital in a country which suffers from both drought and floods, sometimes in the same year.

After last year's disasters, there has been some speed in formulating plans for flood control. While the recommendations of the Flood Commission are awaited, a working group has quickly worked out schemes for the most prone

areas. These involve the heavy expenditure of Rs 173bn (£10.7bn) more than double that provided for in the Draft Plan for 1978-83, at a time when the pressure on scarce resources for other development schemes is great. It also faces the usual hurdle that for the moment there is no pressing need, since the next floods are still six months away and politicians are preoccupied elsewhere.

Decisions

But clearly something on this scale is needed and, given the political will to take unpopular decisions, there should be little difficulty in enlisting the support of the World Bank and other international agencies to make what is, after all, an investment not only in development but avoidance of human tragedy. The World Bank has expressed its readiness to help, but political considerations arising out of the dispute with Bangladesh over sharing of the Ganges waters is blocking a decision.

The working group has suggested integrated development of the Indo-Gangetic basin covering the northern States, and it wants its proposals to be implemented within five to seven years. Eighteen flood-prone river basins have been identified. The report envisions protection of 5.5m hectares from floods by engineering works and coverage of 3.36m hectares of catchment of flood-prone rivers with soil conservation and afforestation and ancillary works during the current Five Year Plan period.

Considering that the problems of floods has been studied for nearly three decades and the first control measures were included in the Five-Year Plan, the achievement is pitifully small. Less than 8m hectares out of the 25m hectares liable to floods have been protected with a nominal expenditure of just Rs 400m by the States since 1954. This despite the present assessment that of the 25m hectares liable to floods as much as 20m hectares can be protected.

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By now, the quality and services of TVS organisation have become so well established in the Indian sub-continent that the name and fame have started spreading overseas... World-reputed

manufacturers in the field begin to show interest — and in the early sixties, TVS starts joint ventures for its various manufacturing units at Madras — with leading British organisations.

Wheels India: Incorporated in 1960. In technical collaboration with Dunlop Limited, UK. From this unit, roll out wheels for India's commercial vehicles, passenger cars, jeeps, tractors, rollers for tanks and even wheels for India's animal drawn vehicles!

Lucas-TVS Limited: Incorporated in 1961. As a joint venture of TVS and Lucas Industries Limited, UK. This unit specialises in the manufacture of the complete range of automobile electrical equipment.

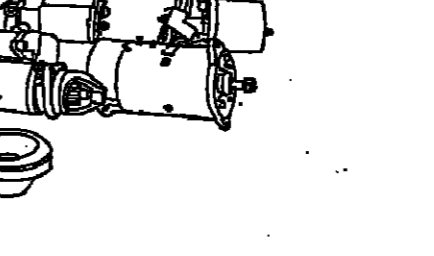
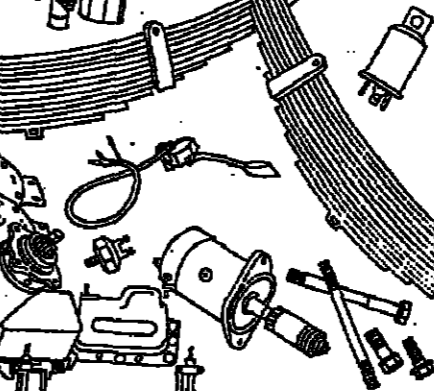
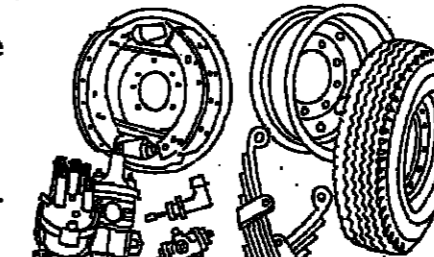
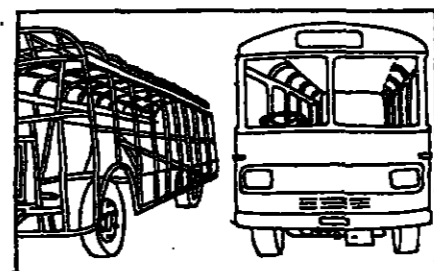
Brakes India Limited: Formed in 1962. As a joint venture with Girling Limited, UK. This unit manufactures a complete range of foundation and hydraulic brake and clutch actuation equipment for cars, commercial vehicles, tractors, earth-movers, tanks and off-highway vehicles.

Sundaram Industries Limited: (Rubber Division)

This TVS unit, established in 1962, also makes a major contribution to India's automotive industry by making specialised rubber components according to customers' specifications, designs and dimensions. The unit also caters to the needs of other industries—as diverse as mining, electronics and textiles.

What TVS is today:

The Group's other important manufacturing activities,



established in collaboration with leading overseas manufacturers, include air-assisted braking systems, high tensile cold forged bolts and nuts, both for automotive and non-automotive industries — and organic friction materials for automotive and industrial applications.

Armed with a staff strength of over 18,000, TVS Group's interests today include the largest privately owned goods transport system in India, a wide distribution network for commercial vehicles, cars and automotive spare parts, a chain of automobile service stations — acclaimed the largest in South East Asia — tyre retreading facilities and body building services for trucks and buses.

The Group's other interests are automobile finance, textiles and manufacture of sewing machine needles in collaboration with Singer, USA.

TVS products in the world market.

The proven quality of the products and the engineering expertise of the TVS Group of Companies are so acclaimed today that the products are accepted in the international market, including Britain, naturally! And that's really covering a lot of ground since the first ride in 1911!

- Wheels India Limited
- Lucas-TVS Limited
- Brakes India Limited
- Sundaram Industries Limited

CENTRE-STATE RELATIONS

Relations have often been strained between India's widely differing states, on one hand, and between the Central Government and the various state governments, on the other. Here, and on the following seven pages, Financial Times writers examine the prospects and problems of four states of the Union.

Demand for more autonomy

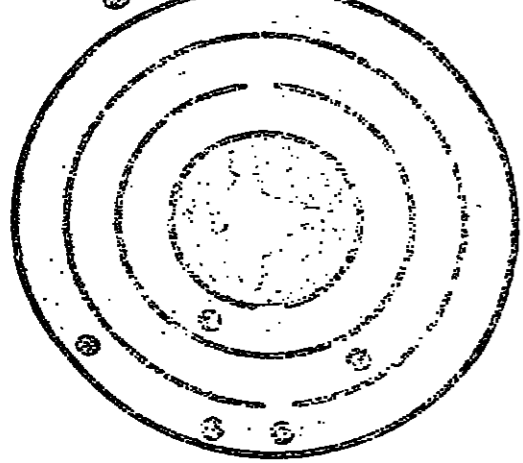
A GROUP of Nagas recently crossed into the neighbouring State of Assam in the mountainous north-east region of India and killed more than 30 Assamese. This action had nothing to do with the secessionist demand in Nagaland which was abandoned some years ago. The clash was over "disputed" territory on the "undemarcated" boundary with Assam and was ominously reminiscent of a border quarrel between neighbouring countries. Last month, there was a bitter row between a group of six relatively developed states and a group of eight "backward" states in a committee of the National Development Council, the supreme economic decision-making body in India. The issue this time was the sharing of what, in the context of India's huge Rs693bn sixth plan for 1978-83, is the relatively paltry sum of Rs2bn of Central Government funds.

South and the Congress, is a power in the East Bengal and Assam. State autonomy has many aspects and its proponents have sought to disguise it in various garbs. One of its main spokesmen, the Bery and articulate Minister of West Bengal, Mr. Anok Mitra, recently wrote with great eloquence "Who deny that alongside with his Indian ethos and consciousness, each citizen of this great country also carries with him and by the consciousness of a separate linguistic-cum-cultural ethos which can be described as the consciousness, inherent to a nationality. When into the tapestry of the Indian nation, there is at the same time a Malayalam consciousness, a Gujarati consciousness, a Tamil consciousness, and so on." There are people in other states who feel much the same, although the answer to this has always been that there is a unity in India's diversity. The truth is that behind the demand for greater state autonomy is resentment at the fact that the Central Government holds the purse-strings. The demand for autonomy is really at least for present, that for more fiscal powers. The states have a great deal of responsibility and this increased with the allotment of more of the country's development plan—especially in rural development. Their political future depends on making a success of this. But they lack sources of income, and the luxury of deficit financing, which took the form of overdrafts on the reserve bank, has now been denied to them.

The states have always had to come to New Delhi for hand-outs, and according to Mr. Mitra this pattern has been used "for blatantly political purposes" and to "buy out dissent." This randles and it is hardly surprising that when the Akali (Sikh Party) Chief Minister of Progressive Punjab recently found himself threatened with the a cut in central assistance, he spoke immediately of doubts whether his state was part of the (economic) planning mainstream and threatened to opt out of it. The states have a strong case. The constitution has given them duties and obligations but kept the main taxation sources with the central government, including income tax, excise duties and customs. They allege that the sharing of the revenues collected by the centre for them on the basis of a statutory finance commission appointed every five years has been so manipulated that the centre manages to bag vast sums that should rightly go to the states. The recent report of the seventh Finance Commission, which will cover the next five years, gives the states more than they have ever had—but this has not succeeded in silencing them. They still want a bigger slice of the sixth five year plan and the funds to implement it. This has stalled finalisation of the plan for more than a year and there is no certainty that it will be adopted in time for the next annual plan due to begin in April. Another divisive factor is the new confrontation between the developed states and the developing (this does not include the eight "special category" states in the hilly border regions where just 5 per cent of the population lives and which get 30 per cent of the funds earmarked for development through central assistance). They are scattered all over the country and, compared with world standards, are really poor. It is therefore ironic that they should squabble or bang up for a share of the national cake. Where the states have no quarrel is on their feeling that the powers of the Union Government for political interference should be severely curbed. What they fear most is the weapon provided by the constitution for dismissal of state governments by the President, on the advice of the Central Cabinet. If it feels that the constitutional machinery has broken down, this action was used freely both by Mr. Nehru and Mrs. Gandhi when non-Congress governments came to power in the states. The Janata Government had no qualms over using it to dismiss the Congress state governments in Northern India soon after it swept to power at the centre in 1977, so its record is not exactly clean. That it has not repeated this is, at least, partly due to its own weakness. A weak central government has also meant increasing violence in the states. Law and order is a state subject, but the centre has vast discretionary powers including deployment of its own police forces, although this is legally possible at the state government's request. The large central forces have remained largely idle and many votes have been raised in support of a "strong" Government at New Delhi. These are not untenable, since the constitution provides for firm guidance from the centre while allowing states considerable freedom. There cannot be any final answer to the problem of centre-state relations and tensions. Certainly, it must now be recognised that India has entered an era of plurality of parties and that, even in New Delhi, it is really a coalition with all the limitations this entails, that is in power. This requires more tolerance and willingness to make adjustments, a give-and-take, through constant dialogue, if the country is to be kept together in the face of the new internal pulls and pressures that have emerged. This is possible if all concerned recognise that irritants and conflicts are inherent when the political complexities at the centre and the states are different.

K.K.S.

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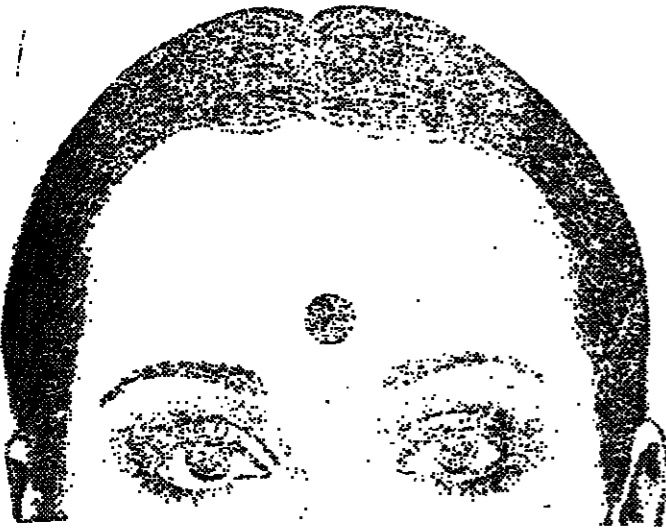


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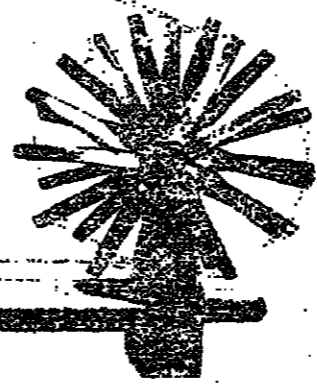
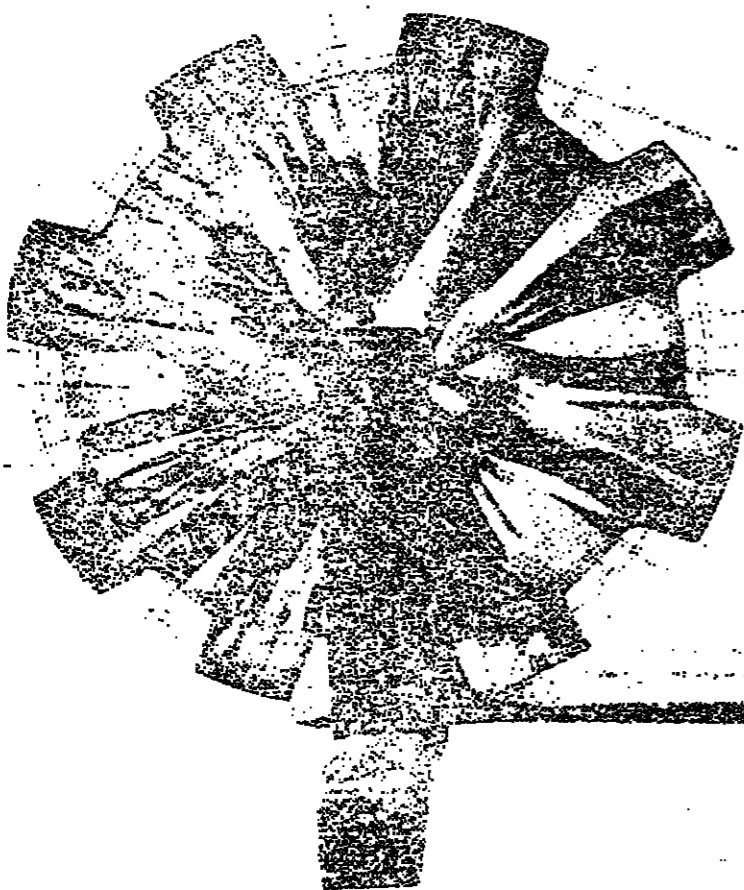
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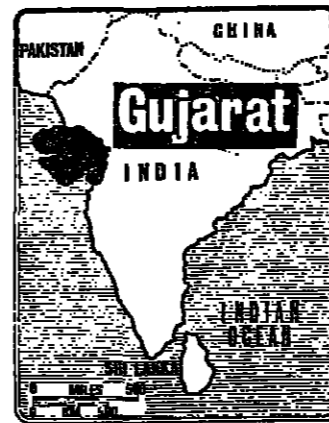
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GUJARAT

Great strides forward



Gandhi instilled a new labour philosophy into the area's workers, most of whom had benefited directly from his earlier "Ban British textiles" campaign. The result is Gujarat's extraordinary industrial relations record. Arvind Bhatt, the leader of the key 125,000-strong Textile Labour Association, sums it up neatly: "The strike is like an atom bomb—it is a weapon to be used sparingly." This attitude has percolated elsewhere, making the area something of an attraction for businessmen hit by persistent strikes in Bombay. Not that things are perfect on the labour front in Gujarat. One of the country's major private sector exporters of engineering goods, Gujarat Steel Tubes, is still struggling with the legal consequences of a protracted strike in 1978. And Ahmedabad's banks were among the worst hit in the country recently when bank employees went on a nationwide go-slow. Gandhi is one, if the most famous, of three well-known political sons of Gujarat. The second, the late Sardar Vallabhbhai Patel, might have been India's first Prime Minister had Gandhi not chosen Nehru for the task. At Gandhi's insistence he co-operated with Nehru as Deputy Prime Minister. The third, Morarji Desai, became Prime Minister in March 1977 after Janata's sweeping electoral victory over Congress. Ironically, Morarji's clash with Charan Singh over the past year in Delhi is with a man who thought he would have stepped into Sardar Patel's shoes as Prime Minister had Gandhi not chosen Nehru. The Janata movement, which Charan Singh believes he should have led also, partly originated in Gujarat, another feature for which the state is well-known. It agitated against direct rule from New Delhi and won its demand for state elections in June, 1975, and as a result of its arrival in power (with the help of a supporting independent group) the state remained in opposition hands for more than half the period of Mrs. Gandhi's Emergency, until the alliance was broken. Gujarat's experience of the Emergency was thus unique, and the state suffered fewer of the excesses which gave that period such a bad name. This is one reason why a surprising number of people can be heard harkening back to the days of the Emergency as a period when everybody—Government, administration, business, workers, the Press—worked more efficiently and responsibly. Inasmuch as they may see a return to the familiar days when performance fails dismally to match promise, they believe Gujarat reflects the problems at the national level. In fact the lack of a clear majority in Gujarat makes the position more delicate. The state faces elections in March, 1980, before any other. Recent developments suggest this first true large-scale electoral test for Janata since

1977 could come even earlier. Crucially, Charan Singh has won over a key figure in the Janata alliance, a former Chief Minister named Chimanbhai Patel, and was due to speak at two rallies in the state at the end of January in a clear attempt to gather support in Mr. Desai's own state. The calculations were that if Charan Singh left Janata, or Mr. Desai resigned his office—both real possibilities in mid-January—the consequences would be felt in Gujarat first and would favour Gandhi's opposition Congress Party. Gujarat's Chief Minister, Mr. Babubhai Patel, feels there is too much emphasis on the whole matter by the Press and others, and that the lack of a proper perspective regarding the Government's achievements is psychologically unerving for people. Speaking in his office in the state capital, Gandhinagar, a "garden city" north of Ahmedabad, he reveals impressive statistics showing how much his government has done to build roads, electricity villages, provide drinking water and expand irrigation.

Message

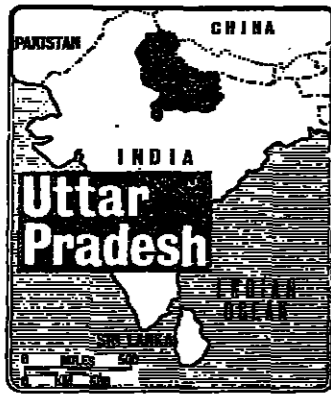
As though the message appears not to be getting across. Critics say there are no independent statistics, and suspect that the government's idea of electrifying a village is often simply extending transmission lines to the village boundary, when only someone with any purchasing power can use it. But nobody doubts that Janata's emphasis on agricultural and small-scale industrial development is essential to create jobs.

Another complaint is over poor lobbying on behalf of Gujarat in Delhi. Apart from the Prime Minister, the Finance Minister, the Vice-Chairman of the Planning Commission and the Governor of the Reserve Bank are all Gujaratis. But businessmen say that Morarji Desai, in particular, has done positive harm by bending over backwards to ensure that he does not favour Gujarat. Ahmedabad is, however, becoming a centre where important national bodies are located. Among those established in the city are the Indian Institute of Management, the National Institute of Design, the Physical Research Laboratory and the Indian Space Research Organisation, all of which contribute to a growing reputation as a centre of scientific excellence. There is even a Community Science Centre which would be the envy of any major western city. All told, Gujarat suffers serious problems of poverty, joblessness, underemployment and inequality, but it displays few of the tendencies to violence and social tension to be found elsewhere. But if great strides have been made, as most Gujaratis insist, they also acknowledge that the state's enormous potential is going unfulfilled because of political inertia.

C.S.

هيك من التصل

Unemployment brings mounting tension



85 constituencies in the state voted Congress out of power in the general election of 1977. It is ultimately where Mrs. Gandhi must stage a comeback if she is ever to return as India's Prime Minister.

Historically what is now the territory of UP is the spiritual centre of Hindu civilisation—commemorated in the Hindu epics of the Ramayana and the Mahabharata and revered today by countless pilgrims visiting Varanasi or attending the major festivals at Allahabad or Hardwar. Before that it was the cradle of Buddhist culture—where Buddha preached his first sermon and performed some of his greatest miracles.

In UP as well the Mughal Empire left some of its finest monuments. Akbar in the 16th century made his capital at Fatehpur Sikri, and Shah Jahan put up his most lavish architecture at the Taj Mahal in Agra. When the Empire as a whole went into decline, Lucknow still continued briefly to flourish as the capital of the Muslim principedom of Avadh (Oudh). Its wealth captured the imagination of the British of the 18th century, who gathered up what booty they could before a self-righteous House of Commons put Warren Hastings on trial for plundering the province.

The state still has the largest concentration of Moslems of any in the union—about 15%. The wealthy among them and those who were recruited by the British into the senior ranks of the civil service or the army for the most part left for Pakistan at the time of partition or later. Only three Moslem members of the former Indian Civil Service appeared to have chosen to remain in India after independence. The Moslem population is now split between Shias and Sunnis—a rivalry that occasionally erupts in rioting. At Aligarh in the south west of the state

—the scene of recent communal disturbances between Hindus and Moslems—is the main Moslem theological college in the country.

Signs

But for all the glory of its past there are signs that UP is now losing its power. Before independence it could still be said that it was one of the richest states in the union. But now its agriculture has fallen way behind that of other northern states such as the Punjab or Haryana. It has failed to attract the heavy industries sponsored by the central Government that went for instance, to West Bengal or Karnataka. There has been little of the private investment which gravitated round the former "presidency" towns of British rule—Calcutta, Bombay and Madras, which were also the country's financial centres—or more recently towards Delhi. In UP there is not the same entrepreneurial bustle as in Gujarat or Maharashtra. It has also suffered from a series of weak state governments—of which the present Janata administration of Mr. Nareish Yadav is one of the least effective—who have failed to push development or press the central Government hard enough for funds.

UP is also the state in which Brahmins and other upper-caste Hindus have been strongest in number. About 15-20 per cent of the population of eastern UP are said to be Brahmins, compared with as little as 2 per cent in southern states like Tamil Nadu. But as elsewhere in India the Brahmins are finding their old privileged position, which required little work but accorded them great respect, is being eroded. They lost out under land reform and now feel their influence in government is being

threatened. The most bitter controversy in the state at the moment is over the new state government policy of reserving 15 per cent of jobs in government service for the so-called "backward castes" (not to be confused with the Harijans who are genuinely the downtrodden section of the community and have had jobs reserved for them for a long time).

In practice the backward castes are the increasingly prosperous peasant class of Ahirs, Khumis and Yadavs—cultivators and cowherds in the past—who have advanced themselves since land reform gave them plots of their own. For them the Janata victory of 1977 has also meant a great increase in political power and they are now using it in a blatantly partisan way to consolidate their economic position by reserving to themselves jobs in the government service, which are the more precious for being in such short supply in a province of high unemployment. The Chief Minister of UP, Mr. Yadav, is from this caste. A man with little administrative experience before he came to power, he was chosen as head of government by Mr. Charan Singh when he was union Home Minister. Charan Singh is the symbol in the state of this new aggressive farmer class. He has an enormous personal following in the north but hardly any support in the south.

Mr. Yadav's policy on reserving jobs is being fiercely contested by the upper castes. The conflict threatens to split the Janata government in the state, which is formed from a coalition of the farmer class and members of the Hindu Jan Sangh party that traditionally has drawn its support from the trading community or higher-caste Hindus. The Jan Sangh members of the government have openly denounced it.

But those most affected by it are college students from higher caste backgrounds, who form the bulk of the university population in the major cities of the state and are the most desperate for jobs. Instead of joining left-wing or Marxist organisations as they did in the past, they are now swinging towards the militant Hindu communal organisation the RSS (Rashtriya Swayam Sevaksangh), which is also recruiting widely in the towns. Over the last two years most of UP's universities have been effectively closed because of continuing demonstrations. Youth leaders often carry country-made guns or knives. At Lucknow university 2-3 battalions of police were this year called in to keep order during the law examinations, but even then the examinations had to be abandoned.

Some idea of how high tensions run can be gathered from this extract from a report in the Lucknow Pioneer of January 15, though allowance must be made for exaggeration.

Fury

"The mob fury in the wake of the anti-reservation agitation continues to rage in parts of central and eastern Uttar Pradesh with fresh reports of violence pouring in from half a dozen places to the state headquarters today. . . . According to a report from Faizabad, the anti-reservationists set fire to a junior high school. . . . Another report from Pilibhit said students set on fire a Bilaspur bound bus. . . . Meanwhile academic life in over 20 districts of the state has been completely paralysed due to the agitation. All educational institutions in the violence affected districts have been closed for an indefinite period."

While these demonstrations go on, there are also widespread



A craftsman paints a large urn at the Chibat Potteries near Lucknow. The pottery was set up by the Small Industries Corporation which is run by the Rural Industries Board

clashes in the villages. Parallel to their attempt to wrest more jobs in the government service from the higher castes, the emergent peasant community is also determined to resist the demands of those below them (the Harijans) for higher wages or a stake in the land. Instances of Harijans' houses being burnt down or Harijans themselves forcibly seizing land are not as common as in neighbouring Bihar, but are growing. Harijans and the upper castes thus find themselves in political alliance. The Moslems also feel threatened by what they see as a deteriorating law and order situation. Most worrying to them is that they feel that the Janata Government is increasingly partisan.

A further reason why UP is slipping behind is that there is not the same sense of regional identity in the province as in Bengal, for instance, or Karnataka, with their more obvious linguistic and cultural boundaries. Uttar Pradesh means Northern District—as undelimited a name for the state as its former British title of United Provinces. There is as yet no history written of UP although a good many of Bengal and

Karnataka. The state has produced few Hindi writers of note. Its Hindi films are mainly made in Bombay. Although it brands together as a whole, there are rivalries and tensions between its different regions.

The richest part of the state is in the west between Meerut and Delhi, which has benefited from the dam irrigation system. Charan Singh has at times proposed that this area should be removed from UP and joined with other parts of the Punjab and Haryana where his own community of Jat farmers are dominant. The eastern wing of the province puts down its backwardness not only to the absence of such a developed irrigation system but to the legacy of British rule. They claim that the British always penalised eastern UP because in the revolt of 1857 (the Indian Mutiny) the east put up the toughest resistance; it was a man from Balli in eastern UP who fired the first shot against the British.

There have also been periodic breakaway movements in eastern UP, which has a long tradition of agitation. In the 1890s the landless organised a

land seizure movement and later renamed a village at Ballia as Moscow. Of the other two district regions that make up the province—the hill district of the north and the Bundelkhand in the south—both feel that the administration in Lucknow is too distant. Such tensions reflect the fact that UP as it is today is an amalgam of regions administratively clubbed together by the British.

If Mrs. Gandhi is to come back to power she must make a strong showing in UP. Since the general election she has won one by-election to the National Assembly and lost another. Memories of the hated sterilisation programme are now fading. She is counting on the support of the minority groups of the Moslems and the Harijans and quietly opposing the Government's policy over the reserving of jobs (though this has problems for her as she backs the Karnataka Government's even larger job reservation programme). In the past her charisma has carried her through. But next time she will need a powerful Congress organisation behind her as well.

David Housego

A woman MP with winning ways

PROFILE: MOHSINA KIDWAI



Mrs. Mohsina Kidwai

MRS. MOHSINA KIDWAI, a quiet, efficient woman, sees herself as the advance guard of Mrs. Gandhi's return to power in Uttar Pradesh. In May 1977, after Mr. Nareish Yadav resigned from the National Assembly to take up the post of Chief Minister of the Janata administration in UP, Mrs. Kidwai stood for the vacant seat of Azamgarh as a candidate of Mrs. Gandhi's faction of the Congress Party. It was the first by-election after Congress had been swept from power in every constituency in the state in the general election a few months earlier.

The timing was right and so were her credentials. The small farmers who had backed Mr. Yadav to the hilt the year before were fed up that sugar prices had slumped and that about 40 per cent of the crop was lying in the fields uncut. The Janata government had also just made sales of gold from the reserves, depressing the local price—to the anger of villagers who see it as their main form of savings.

Mrs. Kidwai, a mother of three, is a Moslem and so could look to the support of her own minority community which had shown its anger against Congress—provoked by the sterilisation campaign—during the general election but which has since seen the Janata Party as a partisan administration less mindful of their interests. She could also count on the support of the Harijans, who were disenchanted with a Janata government which seemingly turned a blind eye to violence against the Harijan community. Mrs. Kidwai is not a forceful speaker, but with her opponents divided and the minority groups on her side, she carried the day. She is now the only Congress MP in the parliament from a state that was once the party's stronghold.

She is also president of the UP Congress Party and officially she is Mrs. Gandhi's lieutenant

in the province. She would not claim to be in Mrs. Gandhi's inner circle but she certainly sees herself as a loyal follower.

She shies away from questions about the Emergency. "As Mrs. Gandhi has said, there were some mistakes that damaged the image of the party," she says, "but the reports were exaggerated; memories are short and people are trying to forget the past."

Her opponents are quick to point to the findings of the Shah Commission set up to investigate abuses during the Emergency and which said that the number of sterilisations in UP shot up from 128,000 in 1975-76 to 837,000 in 1976-77. The number of people detained under special powers reached 30,000.

As a result of the Janata Government's policies and the growth in strength in the province of the militant Hindu movement RSS (Rashtriya Swayam Sevaksangh), Mrs. Kidwai feels that communalism is growing. "Communal politics increase day by day," she says, and "threaten our national integrity. The RSS believes in the theory of two nations. Casteism and violence are spreading throughout the country."

Embarrassed

On the issue of reserving jobs for the so-called backward castes, Mrs. Kidwai finds herself in an embarrassing position. In Karnataka, Congress has supported job reservation. But in UP members of the Congress Youth Movement have without

much doubt been actively involved in the campaign, and probably some of the violence, against the state government's reservation policy which, in practice, will mean more posts for the increasingly prosperous peasant class. The UP Congress has declined to take an official stand on the subject but Mrs. Kidwai says that reserving jobs on the basis of caste will not solve the problem of helping the poorest. The distinction should have been made on the basis of incomes, she says.

Most of Mrs. Kidwai's family, like most of the Moslem elite of the province, moved to Pakistan at the time of partition or have settled there since. She herself was educated at the well-known Women's College in Aligarh. Her father was an active member of Congress during the struggle for independence and, underlying her commitment to India, she says that her maternal uncle, Shafiqur Rehman Kidwai, became the first Education Minister of Delhi state after independence.

She was active in social work before going into politics, helping the poor Moslem weaver class and starting a number of schools and craft centres. She was elected to the state legislative council in 1960 and to the state assembly in 1974. After holding a junior ministership in the UP government she became a cabinet minister in 1975 with special responsibility for social and Harijan affairs.

One of her main tasks now is to revive the Congress Party organisation in the province in time for the next general election, which must be held by 1982. After her success in the by-election at Azamgarh, Congress failed to win a second by-election at Fatehpur in UP at the end of last year. She blames the defeat on irregularities in the voting list, Harijans being prevented from going to the polling booths or being intimidated and to the massive effort the Janata party put into the contest by sending many Cabinet members to the constituency. Nonetheless, she feels that the prospects for Congress and Mrs. Gandhi in the province are bright.

D.H.

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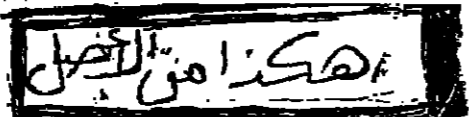


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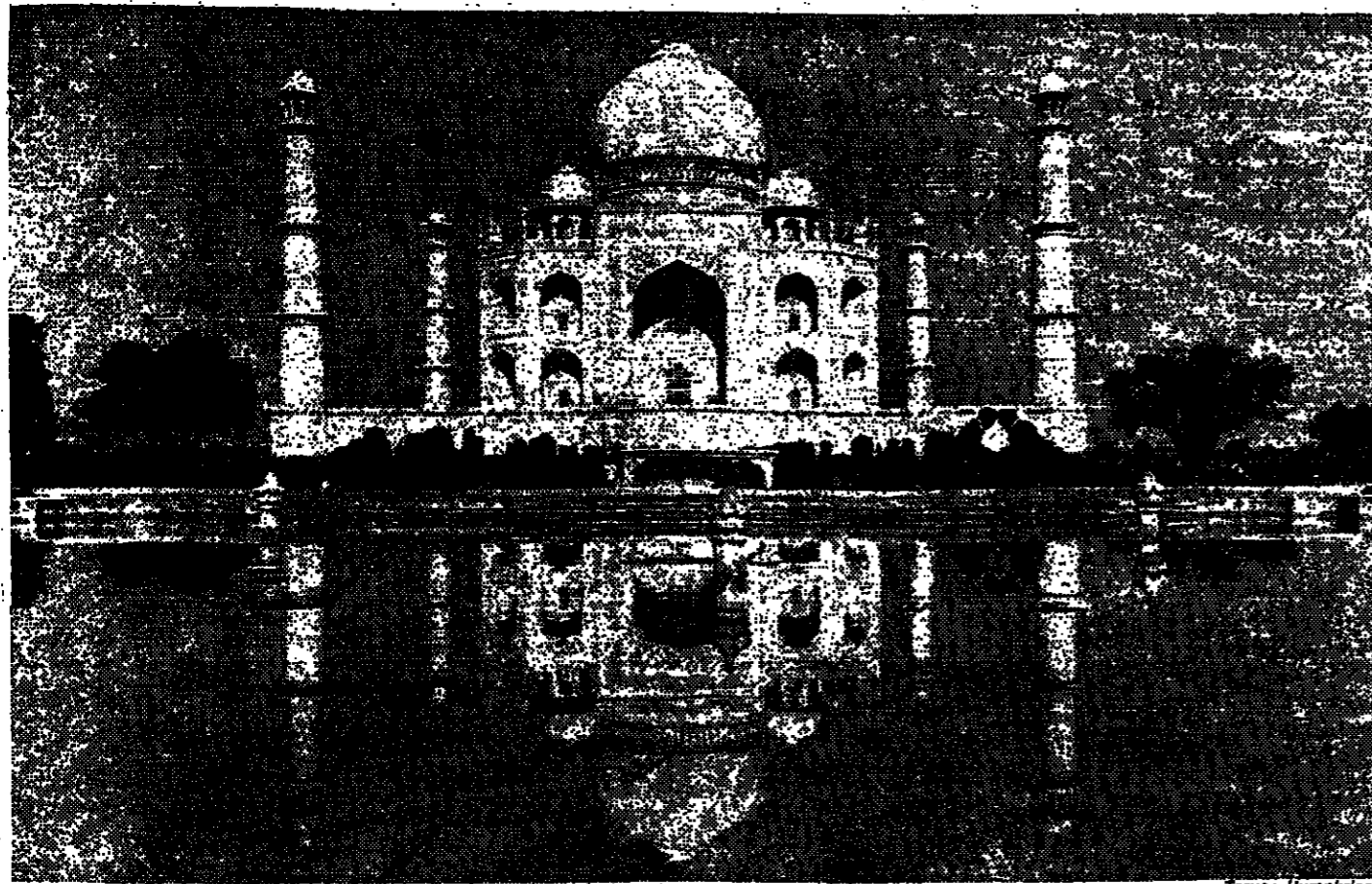
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UTTAR PRADESH

INDIA XI



One of India's major tourist attractions: the Taj Mahal in Agra

Meagre growth in state economy

"LET Uttar Pradesh have the Prime Ministers," a senior politician from the south once said, "but we will have the economic development." And so it has turned out. UP politically dominates the union but by almost any economic yardstick it has done badly since independence.

The state economy has grown at a meagre 2 per cent a year since 1960, as compared with an average for India as a whole of over 3 per cent. Of the largest states it has the lowest income per head, a reflection of its being one of the most densely populated and with one of the highest levels of unemployment. Only two other states—Bengal and Bihar—have received smaller allocations from the central Government on a per capita basis under the five-year plans begun in 1950. Both Bengal and Bihar, however, have benefited from a large number of centrally sponsored industrial projects to take advantage of their coal and iron resources. From 1950 to 1960, the UP Finance Ministry maintains, the state did not obtain any of the major projects that the central Government undertook in developing steel, heavy engineering, chemicals or in extending the country's basic infrastructure. Its share of centrally financed industrial projects is still minimal.

Investment

Private sector investment in manufacturing was in the past largely confined to textiles and sugar mills, industries that are now suffering from old equipment and inadequate returns. Kanpur, the centre of the state's textile industry, is now a decaying town. There has been some new private investment in electronics, glass, diesel engines, electrical goods, agricultural machinery, chemicals and fibres in both Kanpur and towns like Meerut, Ghazipur, Mirzapur and Varanasi (Benares), but the rate has lagged behind the national average. UP lacks the advantages of having a financial centre like Bombay on its doorstep, which has helped promote new ventures in Maharashtra and Gujarat—and it has not had the spur that Karnataka has had from large central Government investment in engineering. The major manufacturing houses of the state—Singhanis, Konoria, Modi and Jajpuria—are not national names in India.

Although 78 per cent of the labour force is in agriculture, grain production since 1950 has only grown at an average of 1.9 per cent a year, below the rate for the country as a whole and below the growth of population in the state. Destruction of crops from the flooding of the Ganges and the Jumna has wiped out many of the advantages that should have come from the country's two largest rivers passing through the state. Apart from the Jumna canal system in the north west, irrigation has proceeded slowly. Only 42 per cent of the cultivated land in the state is now under irrigation and much of it only partially.

This unsatisfactory picture is redeemed in two ways. UP has a long tradition of handicraft industry—silk, carpets and brassware in Varanasi, leatherwork in Agra and Falzabad, handloom weaving throughout the eastern part of the state, cutlery in Aligarh and Meerut. Both as a result of government incentives and of growing demand this is still expanding. The carpet industry around Varanasi has received an enormous boost in recent years from the slowing down and now the virtual halt of carpet exports from Iran. Small-scale industry has also extended into the manufacture

of light industrial goods such as nuts and bolts, flashlights, steel and wooden furniture. In Varanasi alone, which has a Chamber of Commerce with 52 manufacturing or trading associations affiliated to it, there are about 400 such small-scale units. The Chamber of Commerce, reflecting a widespread grievance in UP, says that both small-scale and medium size industry would grow faster if the state government did not impose a sales tax at a higher rate than that in other states. This discourages new units from establishing themselves in UP. The Janata Party promises to abolish it before the state elections next year. In power it has found that the sales tax accounts for 40 per cent of state revenue and that there is no way of being rid of it.

The other brighter feature is that agriculture has prospered in the western districts near Meerut. Yields are almost as high as in the neighbouring Punjab. The west has benefited from the irrigation system of the Jumna. But the Jat community in the area also form an energetic class of farmers who have worked the land themselves as compared with the old pattern in eastern UP where Brahmin landlords employed day labourers or share croppers to do the work for them. The west has also had the advantage of being close to the large market of Delhi and of its villages being connected by an extensive road system. In the east communications are bad, impeding both agriculture and village industry.

Throughout the province farmers have been complaining both this year and last that they are getting lower prices for their produce. There was a glut of sugar last year—the main cash crop—but more generally, while the cost of fertilisers and pumps for irrigation has been rising, prices have remained static or fallen because of insufficient demand. At the same time 67 per cent of UP's population lives below what is the officially defined poverty line. In support of their demand for higher prices over 100,000 farmers marched on Delhi in December for a rally to commemorate the birthday of Charan Singh, whom they regard as the champion of their cause.

UP blames its backwardness partly on itself and partly on the failings of the central Government. Its political leaders have been more preoccupied

with national politics assuming that the support of UP itself could be taken for granted. They have thus not used their political leverage to get more funds for their state in the way that politicians from the more go-ahead provinces have done. In the east the economy has also had to carry the load until recently of a landlord class that refrained from work itself. But officials in the state government also feel that the planning commission in Delhi has treated UP badly and that shortage of funds has been a major constraint on development.

An impressive document prepared recently by the State Planning Institute claims that an investment of Rs 130bn-180bn will be needed over the next five years to make a substantial impact on living standards and unemployment. In practice the state has proposed to the Government a plan outlay of Rs 80bn and expects to get approval for expenditure of about Rs 38bn. The Planning Commission in Delhi complains that about 30 per cent of the funds currently allocated to UP for irrigation and power projects remain unutilised; that the state has a poor record in raising its own domestic revenues; and that money allocated for investment has been used to finance higher salaries or bonus payments at election time. Whatever the truth of these charges there is little doubt that UP is one of the least successful states in formulating projects and seeing that they are carried out.

Priorities

In line with both its own priorities and the philosophy of the Janata Government UP is now concentrating its state expenditure on agriculture and power generation—which will absorb 40 per cent and 20 per cent of the state budget respectively. Results are beginning to show. Consumption of fertilisers increased by 30 per cent for this year's Kharif crop as compared with last. A crash programme has been initiated for helping farmers to install 120,000 tube wells this year, each to irrigate five hectares of land. UP last year contributed nearly half of the newly irrigated land in the country—about 4m acres. Expenditure on irrigation at current prices is rising from an average of Rs 150m a year over the last six years to Rs 760m in 1977-78 and a planned Rs 149 in 1978-79. Much of the increase in newly

irrigated land has come from water storage schemes like the large project at Sharda Sahayak or multi-purpose schemes such as those being carried out at Tehri and Ramganga.

But the irrigation department is the first to admit that their major constraint is delays in the planning and implementing of projects, which in the past have resulted in large cost overruns. "We don't have many projects waiting on the shelf," an official said, adding that the design and planning directorate of the Irrigation Department was being strengthened and a new training institute being opened for irrigation managers.

Generating capacity is also being expanded in the state, but at peak periods there is still a 700 MW shortage. As a result most industries, according to one senior official, cannot operate fully even one shift, and mini steel plants, which are energy intensive, have had their supplies cut off. Priority in allocating power is given to agriculture, but with shortages of coal affecting thermal stations there have been cutbacks to tube wells and pumping equipment as well.

The chairman of the state electricity authority Mr. R. N. Bhargava says that one limit on expanding capacity is that he must buy generating equipment through the state-owned corporation Bharat Heavy Electricals (BHEL). They can neither provide the equipment themselves nor are they willing to sanction major imports of generating plant in spite of the government's policy of allowing purchases from abroad to make good domestic shortages. He says he would like to import directly four or five generating sets and has had attractive offers from abroad, but has so far lobbied for permission in vain.

With plan outlays limited and little hope of major private investment, there is unlikely to be more than a marginal improvement in either the living standards of the poor or in unemployment over the next five years. Trade unions are weak largely because industry is also depressed. The communists are making some attempts to organise the landless in the village and rural workers. But with land and jobs in short supply, the danger of more people taking the law into their own hands and grabbing what they can get is bound to grow.

D.H.



A merchant weighs potatoes at a market between Agra and Fatehpur Sikri

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Broad range of planning targets

KARNATAKA is probably the only area of the world where Five-Year Plans discuss how to raise the tiger population and where a Communist trades union has a march headed by a caparisoned elephant carrying a red flag.

The state's economy is a strange blend. It produces over half of India's coffee, three-quarters of the country's silk, and incense and three-quarters of the world's sandalwood. Yet it also houses some of the sub-continent's most advanced industries. And while drought is a constant threat to most cultivators, the state's power stations are fuelled by hydro-electricity.

Growth has been gathering momentum, averaging 4.8 per cent annually since 1960. To Mr. K. P. Bahadurrao, acting managing director of the large Hindustan Aeronautics complex in Bangalore, the city is a good location for industry. Like many of those running companies in the area he refers to the mild climate, reasonable labour relations and comparatively effective state government.

The plant he runs is largely responsible for the development of the high-technology industry found in the state. It was established in 1941, with British encouragement as a privately-owned aircraft servicing plant. Subsequently, it overhauled many of the British and U.S. warplanes used in the Eastern theatre. It was taken over later by the Indian Government and began to build aeroplanes under foreign licence, becoming increasingly an indigenous enterprise.

In Bangalore, Hindustan Aeronautics is now manufacturing helicopters under licence from France (the Sniac Cheetah SA 315 and Aerospatiale Alouette III); engines under licence from Rolls-Royce (Dart Mk 531 and Orpheus 701 and 03) and from the French company Turbomeca (Artouste IIIB); and planes under licence from the UK (Hawker Siddeley's Gnat Mk I known locally as the Ajeet). It has also designed its own fighters and trainers. Other parts of the group work under MIG licences and make parts. The Bangalore complex accounts for about half the group's turnover.

The import content of the group's planes is now below one third and falling. Indigenisation has spawned a number of auxiliary high-technology plants.

Bharat Electronics and Indian Telephone Industries both have large plants in the area while Bangalore's sprawling Peenya Industrial Estate also houses the factory producing India's satellites. A 380 kg test satellite was launched by a Russian rocket in April 1978. A second satellite, for observation purposes, is to be launched for India by Russia this year and future developments include the firing of India's first satellite-launch rocket and participation in the European Space Agency project.

With such activities being run by the public sector, many of the dependent industries are also publicly owned. This is also the case for most of the state's large-scale industry. In part this results from the lack of local entrepreneurial capital formation in the past, but it reflects, too, the role played by state governments under the last Maharajahs.

"Industrialise or perish" is the slogan greeting visitors to the iron and steel plant in Bhadravati, the dusty steel town in the centre of Karnataka. The motto is that of Dr. M. Visvesvaraya, Diwan (Chief Minister) under the Maharajahs earlier this century. A man who lived to be 102, he was an outstanding engineer whose projects ranged from sewerage systems to the landscaped gardens south of Mysore and who laid the foundations of its industry.

The Bhadravati works, now named after him, was one of the first in the sub-continent. Today with a capacity of 150,000 tons of pig iron annually and producing a range of steels, its problems are typical of basic industries which many would like to see the state develop further.

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Communications

The first problem is one of communications. Bhadravati, like much of the state, is served only by a narrow-gauge railway, involving a forced transfer of goods, materials and passengers at Bangalore to and from the wide-gauge system used on the national railways. The state's road system too is only just adequate. The length of surfaced and unsurfaced roads has doubled in the past two decades but still less than half the state's 27,000 villages are connected by all-weather and metalled roads, and 2,000 villages are not con-

nected to any road whatsoever. The second problem, as so often in India, is power. In 1977-78 Bhadravati, like other high-tension power consumers, received only 45 per cent of its electricity requirements. Even though the electricity being generated is five times the level of supply in 1960, it has lagged behind demand and only one-fifth of the state's large hydro-electric resources have been exploited. Since these to a large extent depend on the monsoons a coal-based thermal plant is being established at Riachur. This is only at the design stage, though the commissioning this year of the first unit of the Kalknadi hydro-electric project is expected to ease the situation. Stage 1 of this project will be of 910 MW, compared with the state's existing installed capacity of 1,145 MW.

The third problem, affecting both Bhadravati and other plants to develop the state's enormous iron ore deposits, is the shortage of suitable coal. Bhadravati itself relied on charcoal but now the forests which once surrounded it are a mere memory. Indeed, half a century of reckless cutting of timber—for the plant, for household fuel and to power the charcoal-based motor engines insisted on by the British during the fuel shortages of the war—have left the state with a massive immediate task of afforestation.

One answer to this problem is the Kudremukh project—the \$700m investment in the equipment necessary to ship 7.5m tonnes of ore to Iran each year. The aim is to reach this figure by 1983, with the first shipments due in 1980. The project involves upgrading the 1,100m tonne outcrop of mainly magnetite iron ore 360 kilometres above the port of Mangalore in the Western Ghats.

"A magnificent stallion, fossil-fueled nostrils in determination aflame, its mane in freedom flying, gallops across the Western Ghats," waxes one of the handouts of the Kudremukh Iron Ore Company in reference to "the crusaders of Kudremukh" and their determination to finish the project on schedule next year.

Mr. K. C. Khanna, chairman and managing director of the company, says that the project is on schedule. He is also surprisingly optimistic about its future given the turmoil in Iran.

"Apprehensions flash in the mind of all people of prudence," he admits. But he argues that because it is not a military but a commercial contract, it will be honoured. "Iran is getting brighter every day," he said two weeks ago. "Now that the Shah has left I hope it is settling down to a normal representative government with freedom for all."

The Kudremukh deposits, with an average iron content of 38 per cent, are much less rich than the estimated 58m tons of hematite deposits near Chikmagalur (with their content of about 65 per cent), or the equally rich Hospet deposits in the north-east of the state. There has long been pressure for construction of a large plant at Hospet, with coal to be brought from elsewhere. However, an alternative plan, at present favoured by the Government in

New Delhi, is to have a plant at Mangalore, based on the state's iron ore and using coal imported from Australia or Canada.

On the union side the main force is described by managers as being the All-India Trade Union Congress (AITUC) which supports the Communist Party of India, with a second grouping, the Indian Trades Union Congress (INTUC), which supports Mrs. Gandhi's Congress Party, considered less forceful, according to one major employer. AITUC is quick to complain of police harassment, both in Bangalore and in the provinces. It often co-operates closely in the provinces with INTUC, particularly where workers on the state's coffee, tea and rubber plantations are concerned. Leaders of one picket seeking to persuade a coffee plantation owner to pay the

obligatory minimum wage had just been arrested and accused of conspiracy to murder, the unions complained as an example. The police side of the story was not available.

Minimum daily wages for the jobs usually carried out by men have now been established at 5.90 rupees (37p) and for those (more numerous) carried out by women at 5.60 rupees (35p). As for production, this totalled over half of the 122,250 tons produced by India in the 1977-8 season. That year exports reached nearly \$300m. Production for 1978-9 is down to an estimated 105,000 tons. The Coffee Board says that the aim is to double the area under coffee in the next 15 years.

Sericiculture is also a flourishing industry. The state's production of silk has risen steadily over recent years to reach 2.246 tonnes in 1978-7, out of the total

for all India of 2,613 tonnes. Less satisfactory has been the situation in the sandalwood industry. Production at the two state factories is now running at only half capacity, due entirely to a shortage of sandalwood trees following the drastic overcutting of recent years and the still-flourishing smuggling trade to neighbouring states. Unlike Karnataka these have private processing plants paying up to four times the price of sandalwood paid by the state factories. Because each sandalwood tree requires more than 60 years to reach maturity—and also because it is a parasitic tree requiring other trees' roots to help its own, making it difficult to cultivate—it is hard to see this shortage being corrected.

The draft 1978-83 plan prepared by the state puts an emphasis on afforestation and

says the highest priority is being given to power, irrigation and agriculture; it is planned to treble the area under irrigation. Seventy per cent of the state's population depends on the land and the government is aiming at a 4.5 per cent annual increase in production of food grains and double this rate of increase in oil seeds, in particular ground nuts. There is a ten-year development plan for eliminating unemployment and the state sets higher minimum needs targets than those established by the central government, arguing that what New Delhi sets as a target for 1988 has in many cases already been surpassed by the state.

A "massive programme" of developing agriculture-based and cottage and small-scale industries is also called for.

David Tonge

Champion of the dispossessed

PROFILE: DEVARAJ URS

A FILM ACTOR for one night, college wrestler for 36 months, and Chief Minister for seven years, Mr. Devaraj Urs is a large fish for the small pool of Karnataka. Now engaged in trying to bring together the two wings of Congress, he is to a large extent responsible for ensuring Mrs. Gandhi's sweeping victory in the local Chikmagalur by-election last November. But although he has obvious aims of being the heir to Mrs. Gandhi, he faces the same problem as all southern Indian politicians—that northern politicians rarely allow them a foothold.

Once called Karnataka's Mayor Daley, Mr. Urs has long shown uncanny political skill. Genial, pipe-smoking and silk-robed, he is an unlikely mixture. Born 64 years ago in a small village outside Mysore, his family name means "princely" and he be-

longs to the same small caste as the ex-Maharajahs of Mysore. Yet the coalition which he has welded is of the dispossessed—the minority castes which had never shared power. He is one of the few Chief Ministers to have made programmes for the poor a reality. And his rhetoric is that of the evangelist.

Phrases such as "the intolerable burden of exploitation" and "blood-sucking money-lenders" litter his speeches, and he has not hesitated to urge election crowds to burn a newspaper which criticised him.

In Karnataka the Emergency saw the torturing of the brother of the present Indian Minister of Industry, Mr. George Fernandes. There was also the death of a prominent female opponent of Mrs. Gandhi, which had been hastened by her conditions of detention. But Mr. Urs himself largely escaped criticism on such points. He has always steered clear of Mrs. Gandhi's controversial son, Sanjay. And he has ensured himself a mass following in the state through a programme as radical as any

outside the Communist-dominated states.

Mr. Urs thinks that history will be kind to Mrs. Gandhi. He argues that Mahatma Gandhi set out the principles for helping India's poor that Nehru made a programme out of these principles but failed to implement it, and that Mrs. Gandhi made a reality of this programme—in his loyal book, the failure of Congress to act in several states was not Mrs. Gandhi's failure but the failure of those she had trusted and who turned out to have "vested interests."

"The problem of implementation is one he admits to encountering in Karnataka. His policy of liquidating rural debt has had, he says "defeats and shortcomings." The state machinery is "still burdened with many people from the urban areas, upper classes or kulaks (large farmers)." But he is pleased with progress at land reform—even if his ensuring no appeal for former landowners has been criticised elsewhere. He also wants the freeing of the states' 64,000 bonded labourers

and the housing programme. As for his efforts to ensure that the poorer castes obtain jobs, these he says are "slowly, slowly succeeding."

Described as a populist by most critics and a socialist by many allies, he refuses to categorise himself.

His rule has had its interruptions. The Governor who swore him in last February had only just dismissed him. On such matters Mr. Urs is philosophical. "In politics such things do happen. I take them sportively."

His 28-year political career has seen him developing what one writer has called a "kind of tacky resilience." He first became a state minister in 1962. Later he was to nationalise several local bus routes and in 1969, with Mrs. Gandhi's blessing, to start building the new Congress party, which overthrew its long-dominant parent in 1971.

An able administrator, he has also made massive use of the patronage system. It has led to frequent charges of corruption against him, and the Janata

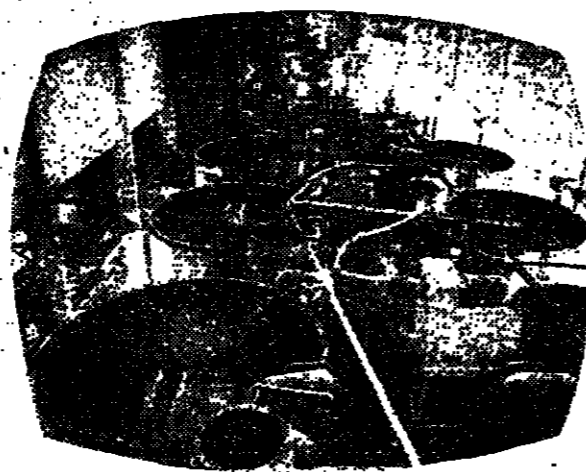
Government instituted a commission under Justice Grover to investigate some of these. The commission held him guilty under four counts, with Mr. Urs's attempts to pre-empt the enquiry being one of the reasons for his dismissal by the Governor. His son-in-law, a trade unionist, has also been a controversial figure. Mr. Urs is completely unperturbed by such points. "Of course I am corrupt in one sense," he beams, "but I want to know a man who entered politics through elections and who is not. Look how much U.S. Presidential candidates spend. Where does their money come from?"

It is the flamboyant answer of a flamboyant man. With corruption charges being hurled at so many Indian politicians I ventured that in India as elsewhere all publicity is good publicity. Mr. Urs was quick to catch this with a Sanskrit phrase and to say: "A scoundrel, but one of the few good scoundrels" is what one newspaper just called me. I liked that."

D.T.



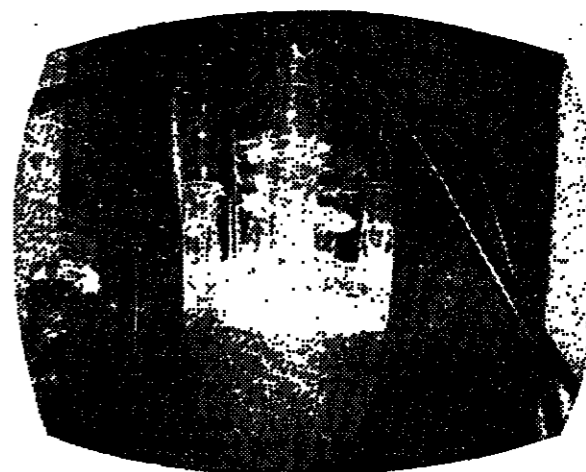
"Name me a company that can give me everything I want from India."



Ossein for gelatin manufacture.



Marine products and cocoa butter substitutes.



Fine chemicals, nickel catalyst, animal feeds, agricultural commodities..."



"May I suggest...?"



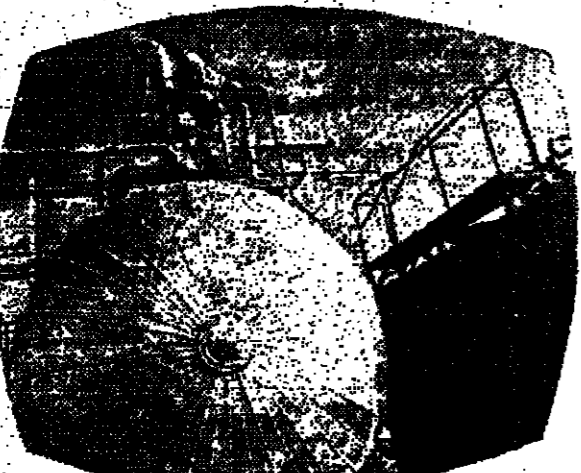
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"WHAT BENGAL thinks today, the rest of India thinks tomorrow" was a maxim coined 70 years ago by Gokhale, an Indian nationalist leader from the other side of the subcontinent.

West Bengal is far from the all-Indian force that Bengal was. For long it was the most industrially advanced part of the Raj and its writers were the major Indian cultural figures of their time.

Today such influence has faded, but West Bengal remains important merely for what it is—a state with nearly as large a population as the major European countries.

The Bengalis have long stood out in sharp contrast to the Hindi peoples higher up the Ganges basin. Its original settlers were hardly affected by the Aryan migrations around 1500 BC.

As for the fading of Bengal's influence, in part this results from the transfer of the capital of the subcontinent from Calcutta to Delhi in 1911.

It was probably the first province to feel the impact of Lord

Macaulay's drive to Anglicise education in India.

But more recently Bengali has taken over from English as the more vital local cultural language. Bengali thought has thus become accessible to other Indians though Bengali culture is probably richer than ever.

Resentment

To a point one deals with such issues so as to avoid confronting the misery evident all around. Even in Indian terms West Bengal is an area of desperate poverty hence the resentment in Calcutta that the Janata government in New Delhi tries to prevent the state Government—or so the latter claims—from further extending free school meals and from introducing even the most rudimentary and limited unemployment and old age benefits.

Annual income per head is about the same as that in India as a whole. But while the rest of India has seen a 30 per cent improvement in the past two decades, incomes per head in West Bengal has not changed. In practice, no change means a worsening situation for the poor.

For such figures give no indication of the misery in the world's most overcrowded metropolises. Advertisements which boast that a particular type of suit is "all you need" rise above a family where the mother is quietly picking lice from her daughter's hair.

As for the fading of Bengal's influence, in part this results from the transfer of the capital of the subcontinent from Calcutta to Delhi in 1911.

gray" hang over an old man cooking a meagre meal over embers beside a bus queue. Double-decker buses packed with up to 200 people grind their way through rank streets, battling for space with rickshaws, cows, taxis and pedestrians—all of whom skim within hair's breadth of each other.

It is the least housed city in an ill-housed country: an estimated 1.5m people have nowhere to live but shops, factories, the docks or the streets. The basic functions of life are dealt with basically. Streets are lavatories; broken cisterns, muddy rivers or stagnant green pools are baths.

Events since then have moved with bewildering rapidity as Marxists and Congress jostled for power amid waves of violence mainly initiated either by the Naxalites (a Marxist-Leninist group which split away from the CPI(M) and tried to rouse the peasants) or Congress youth movements.

Given this recent history it is all the more surprising for the visitor to find Calcutta calm today, the provinces in peace and the CPI(M) now seen as a party of law and order. Yet such is the case. Businessmen describe the CPI(M) as "pragmatic and realistic."

Refugees

As for the government's planners, these say they fear that West Bengal may continue to develop on the Latin American pattern, with the population squashed into overcrowded cities. Development should be spread, they insist, and Calcutta made less of a focal point.

Facing up to the land problem

PROFILE: PRADIP CHAKRAVURTI

"JUST A bunch of lazy peasants with nothing to do but talk" was how the local administration officer in Chhoto Jagulia described the villagers crowded into the small one-roomed slogan-daubed building beside his offices.

Soft-spoken, whether describing the problems he faces or blaming Britain for plundering the state, Mr. Chakravurty is in a sense a stereotype. Lean and serious, he is the proverbial teacher moulding western revolutionary ideas developed in the cities to rural reality, the activist too wedded to his work to have time to marry. But he is typical of the thousands of dedicated local officials on whom the CPI(M) is relying to carry through its land policies—and build up its rural base.

In the neighbouring state of Bihar attempts to apply existing laws on land have led to carnage. Attempts by the landless Harijans—the "children of God" as Gandhi named the "untouchables"—to obtain their rights have been reportedly answered by killing, the burning down of entire Harijan areas and the rape of their women. One magazine writes that in Bihar in the 18 months to last September there were 1,646 atrocities on Harijans.

of crop distribution. But by all accounts it is now less serious than in the recent past.

The question of land is fundamental. Of the 13.6m acres of cultivable land in the state 40 per cent is in the hands of a mere 4 per cent of the population, according to officials. At least 35 per cent of the population has no land and is obliged to work a similar share of the land on a share-cropping basis.

Examples

Mr. Chakravurty has little trouble in fleshing out such points with real life examples of the problems faced by millions of Bengalis. He has spent the past 12 years working in the villages around Chhoto Jagulia. The fifth of 14 brothers and sisters, he came with his family to the neighbouring market town of Barasat as a refugee from East Pakistan in 1950. His father was a teacher and an occasional lawyer and many of the children have done well. Two are lecturers at Delhi University. His own starting salary was Rs240 a month (\$14), he now earns Rs800 (\$58).

It has been a rough journey for him, particularly the security forces from outside West Bengal. Eight years ago he spent ten days in prison, taken from hospital where he was being treated for a head wound inflicted by a Naxalite. Threats on his life meant he had to go underground for a year, but he says that the strength of the party was already such that he was always in less danger than teachers in other areas.



Pradip Chakravurty

Nearly 400 miles separate the mouths of the Ganges from Darjeeling in the north of the state. Shaped like a giraffe with a lump in its throat, West Bengal houses the tea estates of Darjeeling, Jute and paddy and massive coal fields. But such has been the net inflow of refugees since partition—almost a quarter of the state's population comes from Bangladesh—that the cultivable land per head is well under half the average for all India.

For the first 20 years after independence West Bengal was a Congress stronghold. Congress had the support of business, but its growing corruption and the failure of two successive mossoons led to a chain of food shortages, anti-government demonstrations, police violence and strikes. The 1967 elections saw the Communist Party of India (Marxist) CPI(M) which had split away from the (more pro-Moscow) Communist Party of India (CPI) only three years earlier, returned as the largest party in the State's Legislative Assembly.

Events since then have moved with bewildering rapidity as Marxists and Congress jostled for power amid waves of violence mainly initiated either by the Naxalites (a Marxist-Leninist group which split away from the CPI(M) and tried to rouse the peasants) or Congress youth movements.

Given this recent history it is all the more surprising for the visitor to find Calcutta calm today, the provinces in peace and the CPI(M) now seen as a party of law and order.

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Need to tackle stagnation

WATERED by the Ganges, the Bengal area, with its abundant reserves of coal and iron ore, and its tea estates and jute fields, long stood ahead of the other States of India. In the 1770s its wealth enabled the East India Company to exact an annual income, excluding presents received by the company, of £1.5m. Shocked by the fortunes that Englishmen made in Bengal and the burden this placed on the province, Edmund Burke declared that the effect of English rule was to leave "nothing before the eyes of the native but an endlessly hopeless prospect of new flights of birds of prey and passage with appetites continually renewing for a food that is continually wanting."

The worst of these abuses were later checked under Reformist Administrations but still the output of Bengal continued to lay the foundation of many British fortunes, both before and after it became the first industrial centre of the sub-continent.

Yet since Independence its economic record has been less than glorious. Over the past two years, even allowing for the ravages of last autumn's floods, industry and agriculture have achieved higher growth rates than the average for the period. None the less, it was a legacy of stagnation if not decline which the Left Front Government inherited in June, 1977, a decline which to an extent the troubles under the previous Left Front governments had contributed.

The 20 months in office of this Marxist administration have seen it rising up to at least some of the hopes of its supporters—a hard task when New Delhi retains strong if diminishing powers over the individual

states. But the Left Front has at least quashed many of the fears which greeted its return. Many businessmen still banker after the *laissez faire* days of Congress rule in the state, but they are also surprisingly complimentary about the Left Front. As one foreign company's chairman puts it: "We were all very worried when it took over. But it has been quite pragmatic. The fact that the government has been headed by the Communist Party of India (Marxist) [CPI(M)] has not made it any worse from the point of view of labour relations."

Adamant

With 220,000 jute mill workers striking last month, barge men and bank employees out, as well as 300,000 engineering workers threatening action, such a claim seemed surprising. But the chairman was adamant: "In our experience their demands have been no less moderate than before." Here the CPI(M)'s dilemma is very similar to that of the British Labour Party when in government. The CPI(M) does not want a pitched confrontation with management (particularly after the traumas it suffered when it shared office in the late 1960s).

But it has to represent the workers who support it. Its Congress of Indian Trade Unions (CITU) is outstripping the other main confederations—the INTUC which supports Congress and the All-India TUC (AITUC) supporting the Communist Party of India. "With the CPI(M) in power here it is only natural that many workers should leave us for the CITU," an AITUC leader, says resignedly.

Given the CPI(M)'s dilemma,

many businessmen suggest that the party leadership is pressing the CITU to avoid radical demands. Such policies would not be easy in a state with as developed a labour movement as West Bengal. Yet CITU leaders make it clear that wider considerations are taken into account. Mr. Dinesh Bhattacharya, Vice-President of the West Bengal CITU, head of its branch at the large Hindustan Motors plant, and a Member of the National Assembly insists: "We are not pressing the workers to limit their claims." However, he adds: "But we do suggest what is practical taking into account the conditions of the industry and what it is possible to achieve if the workers fight."

This background in part explains why even local business leaders have more than the occasional good word for the Left Front. "Ideologically we are poles apart, but on a practical level they are all there. Business houses like ours would be their first target. They have said it clearly. But from the viewpoint of administration and law and order, they are one of the better administrations," says Mr. S. K. Birla, President of the local Indian Chamber of Commerce.

A partner in one of the country's biggest industrial houses, Birlas, a multinational employing 300,000 people through South East Asia and with annual sales of \$2bn, Mr. Birla describes the CPI(M) Chief Minister, Mr. Jyoti Basu, as "very pragmatic." He adds: "The day he assumed office he told various forums that he did not believe in this society but recognised the limitations in the sense that the State does not have enough powers. He told us "Until such time as we

are in power in New Delhi we will do the next best, working along with you to expand business, create employment and improve the standard of living. He has largely lived up to that."

The government is the first to admit that it has a long way to go. Consumer prices have been moving close to the national average, levelling off after steep increases in the early 1970s. But the central deficit has grown in recent years and the general index of industrial production only rose 6 per cent in the 13 years to 1976. The rest of India has caught up with it in average income per head, and West Bengal now faces the spectre of lagging progressively behind.

There are many reasons for this relative decline. One argument sometimes heard is that the Bengalis lack entrepreneurial skill, that they are not hard working and that they are accustomed to being Babus—white-collar workers who expect others to do the manual work. Perhaps more convincing are the hard social and economic facts. Partitioned in the 1940s West Bengal has since had to cope with a net inflow of penniless refugees equivalent to one-quarter of its population.

Its industries are largely traditional ones, located at the end of a once-crucial railway line, tied to static sectors such as jute or dependent on servicing outmoded technologies such as the steam engine. More important, it has seen virtually no investment throughout the past decade. The British-owned firms which dominated post-independence times were doing little reinvestment of profits even before their Indianisation was seriously mooted in the

mid-1960s and which became a reality in the 1970s. Moreover, most of the firms then passed into the hands of the Bengalis but of the Marwadi business community—families such as the Birlas, the Kanorias and the Singhanias, men from Rajasthan, of tough commercial instincts, often preferring to invest their profits elsewhere in India or abroad.

Crucial

To a considerable extent they avoided West Bengal because of its political troubles during the late 1960s and its tradition of trade union activity. But as unionism has developed elsewhere this last point has become less important. "The cultural gap between our advanced labour force and those elsewhere has now been bridged," is how Dr. Ashok Mitra, the prominent economist and writer now serving as Minister of Finance, describes the present situation. But if this relative "disadvantage" is being eroded, West Bengal's comparative advantage—its cheap coal and iron—has not been restored. "The most crucial measure New Delhi ever took was to establish by fiat that the coal, iron and steel, where we have a natural advantage, should be the same price all over the country without giving us anything in return for the products where we are at a disadvantage." Dr. Mitra says. He refers particularly to the state's need for chemicals, higher quality cottons and salt.

The Chief Minister is quick to admit that industrial regeneration is "very difficult." He adds: "We operate in a mixed economy. We depend a lot on the private sector." Yet the thrust of policy seems to be in three main directions, towards stimulating agriculture, building up small-scale industry in villages and cities and overcoming the power shortages.

Advisers to the Government argue that the first of these policies is essential for the revival of industry. "There is evidence that one needs to begin with agriculture not merely to increase output and raise average income but because the basic problem of industry is demand," says Dr. Ashim Dasgupta, an MIT-trained reader in economics at the Economics Department of Calcutta University and a con-

sultant to the Government in numerous committees. His views reflect the now widely-held emphasis on rural development that exists in India. He also insists that the breaking up of land holdings into units under the limit established by the land ceiling law should lead to an increase in output. Unlike mechanised agriculture in the West, Dr. Dasgupta says that the labour-intensive agriculture of India apparently leads to the maximum yield per acre of all major crops being obtained not from large farmers but, strangely, from marginal and small farmers. He adds that this point is born out in all districts of the state and in all states. "There is thus no conflict between the objectives of minimising inequalities and maximising production."

If the results of such policies have yet to be seen, improvements in the power situation could also be delayed.

The term "loan shedding" is the euphemism used for the power cuts which disrupt industry and daily life. Industry blames the over-manning in the sector and the government blames the past management of the plants, in particular those belonging to the West Bengal State Electricity Board. More important is the lack of spare parts for machinery and the failure to service the coal-fired thermal plants on time. "During the Five-yearly and just prior the machines were worked as no machine should be," the Chief Minister says to explain why the scheduled cuts of the Congress period have now been joined by more problematic unscheduled cuts.

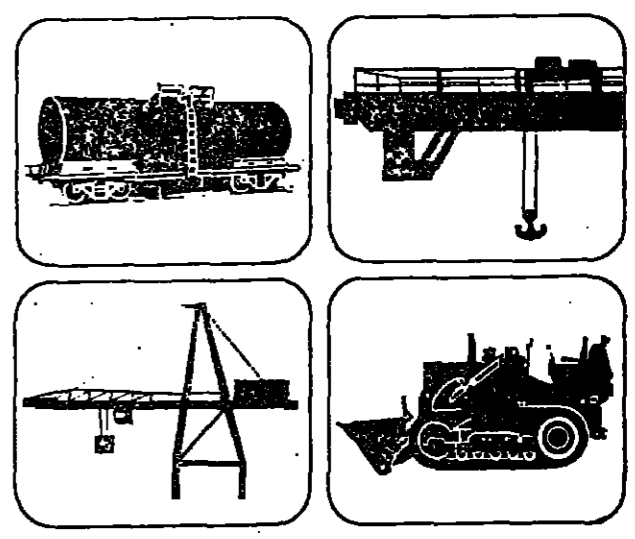
One year ago the Left Front government put out a statement on industrial policy which set out seven goals, ranging from reversing the trend towards stagnation and providing increased employment to expanding the public sector and increasing the control of workers over industry. Today the short-term problems are such that its hopes of restructuring society seem remote. But the aims remain unchanged. The Left Front's unity unbroken and its belief unchanged that the deeper it digs in the closer it will be able to come to realising the programme on which it was elected.



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Land problem

CONTINUED FROM PREVIOUS PAGE

yearly deeper in debt." It is a sad comment on the rest of India that despite such problems land reform has been more successful in West Bengal than in most other states.

In Calcutta the West Bengal Land Reform Commissioner, Mr. Debabrata Bandhopadhyaya, despite his very different background from activists such as Mr. Chakravarti—he is a career All-Indian civil servant who was recently joint secretary at the Ministry of Labour in New Delhi—backs up the gloomy picture painted of the life of the poor peasant: "The sharecropper and agricultural labourers live to some extent in a state of fear and terror—fear of the bureaucracy of revenue officers and police and terror of economic sanctions or violence by the landlords and of litigation which he can never afford to fight."

But the commissioner also points out that only with the help of the testimony of the sharecropper and agricultural labourer can the state start re-

distribution of the land held in excess of land ceilings (Ministers estimate such land totals around 1.5m acres, or one-ninth of the arable land in the state).


Under the old situation, the peasant could never provide the evidence necessary. Now amendments to the sharecropping law mean that instead of the peasant having to prove he is a sharecropper, the landlord has to prove the peasant is not—and at a public meeting in the village rather than a law court elsewhere. Mr. Bandhopadhyaya also describes the state's attempt to break the power of the village leader, often charging effective rates of over 20 per cent annually, by persuading the banks to lend to sharecroppers. As for the Minister of Finance, Dr. Ashok Mitra, he says that the banks, long accustomed to a credit/deposit ratio in the provinces of around 1/4, do not like such policies. "There is only one method: I browbeat them at the top and their lives are made miserable at the village level. We also

keep the heat on the Reserve Bank of India." Dr. Mitra also plans a progressive land tax to replace the present "really regressive" system by the time the new fiscal year begins in April.


There appears to be a consensus in the CPI(M) that at some time the middle farmers, too, will have to be alienated. The present policy is that this should be later rather than sooner. But for the moment, as the Chief Minister, Mr. Jyoti Basu, puts it: "Our aim is that people should only own what they cultivate."

the Emergency, he says, the CPI(M) could not work openly and even the present Chief Minister had to visit the area in disguise, meeting him and other party workers at a "picnic." Now, he claims, the power of the landlords is not what it was. "In West Bengal those fighting for independence could not break the leadership of the landlords in the villages. Even control of the independence struggle fell into the hands of the landlords. Now the peasants' organisations have taken root. But we know that we cannot do as per our expectations and desires. Establishing the right of sharecroppers is a step to land reform."

"But," he adds, "if we start a real land reform through the panchayats, Congress and Janata cannot afford to let this continue. We wonder how long they will leave us in peace." The few of the "lax peasants" around him who understood English nodded in agreement.



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VILLAGE LIFE

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Children playing in the main street of Paltoo Ka Naugla. The cast-off tyres are a sign of a new prosperity

CASTE VIOLENCE has not yet brought late in 1975. Everyone in the village, he said, apart from one bania who ran a shop, had some land so prosperity had spread around. He gestured to the people around, as if to point out that there was a much greater splash of colour than before in the clothes of the people (though Karan Singh himself was dressed as he has been on every visit I have made since 1973 in a dhoti yellowed with constant washing and a shirt not yet threadbare).

The old rural identity has been distorted. Simplicity and symmetry is disturbed by the stone extensions intruding on the mud houses and by trees felled or stripped to make way for new work. Old mud houses were turned into homes by the home-made wall paintings; the new stone is left glaring and coldly bare.

If prosperity comes to Paltoo, then rural India must indeed be making progress. Paltoo where? Paltoo Ka what? Those were the questions asked by people hardly two miles from Paltoo as I tried to find my way back to the village. As the crowd dies, Paltoo Ka Naugla is a mere 10 km from National Highway 3 running from Agra to Bombay. It is 50 km from Agra in Uttar Pradesh, India's largest State, and quite close to the borders of Rajasthan to the west and Madhya Pradesh to the south.

But it lies a kilometre from the nearest tarmac road along a zigzag dirt track beside fields made vivid green and yellow by ripening mustard, gram, sugar cane and wheat. The 150 families comprising the village have no school or post office or police station or electricity line to distinguish them with a modest pinprick on even a large-scale map. They are just members of India's 567,000 unknown villages where the unknown masses live.

Nevertheless, according to Karan Singh, a Sanadhya Brahmin and the largest landowner, things are indeed looking up in Paltoo.

He sat, tucked his loincloth under him, let other villagers cluster round him, and talked of the prosperity. Crops, he said, were up by 50 per cent. He himself had savings of Rs 3,000 (about £180) in the bank and only had to pay off Rs 12,000 on the Rs 44,000 tractor he

Other small farmers with a handful of acres are under constant pressure to retain their land. Bad weather, crop failure or heavy expenditure on something like a daughter's marriage could plunge them impossibly into debt.

And all the smaller peasants are at the mercy of the big landowner—Karan Singh. With ownership of what he says is 26 acres—though he almost certainly underestimates his actual holding—he used to provide the labouring jobs and still acts as local moneylender.

He used to provide the jobs but no longer does because the machine of progress, his tractor, does away with his need to employ 100 labourers. "It is faster, cheaper and can do many things," he said in a mixture of praise of the tractor. "It can plough and winnow, carry heavy loads, transport water and give joyrides at marriage parties. And it saves me Rs 5,000 a year I would have to pay in wages."

Where do the men find work, I asked. "Oh, there are plenty of places. They can go and work in the quarries or on building roads or go to Jagmir or Agra."

For the men who have to find jobs it is not as easy as that. Ram Dayal, a jat, and one of the small landowners, said "With only one bigha (one third of an acre) we are as well or as badly off as the landless. We have to go out and find work. That is not easy to come by, nor does it pay well even at harvest time. We are having to go further and further and away from our families in order to find work these days. There are too many people searching."

But Karan Singh still finds it profitable to act as moneylender to those in need. And according to the villagers' accounts, he charges an interest rate five or six times higher than the 12 per cent that the bank charges him on his tractor. Even though the last few years' crops have been good because of the better weather, most of those in debt have only been able to keep up with the interest payments—making no reduction in touching the principal.

Where Paltoo really differs from the riot-torn parts of north India is that the have-nots have not yet had a chance. The movement of the middle-caste kisans (farmers) stems from resent-

ment over the special constitutional privileges of the harijans and determination to break through the high-caste brahmin-dominated government's urban bias.

It is a sort of intermediate revolution, with the rich five-acre kulaks determined to get their share. It has brought against harijans and reports of harijans being tossed into crushers or dragged to death behind tractors.

Fines

In Paltoo and the neighbouring villages the brahmin landlords are not yet under challenge. The leading brahmin family in Chansora has not only a tractor but also a jeep. Their control is linked and reinforced at the village council level which the brahmins control.

The harijans should have powerful representation on the council but it was said: "Usually it is not worth their while turning up."

The council has some useful local powers, like being able to levy fines, which it has done on occasion, "mostly for non-payment of debts."

There are some flickering signs that changes may be coming. Some of the harijans of Chansora have just got tubewells, thanks to loans from the Janata Government, and will be able to irrigate and get crops from their land, which till now has lain barren. One of them, Chandra Bhan, a mehta (one of the lowest groups of harijans), said delightedly: "Up till now the land has not been fit for crops, but soon with the tubewell I hope to have my own. It will be a change from having to find work as a labourer."

In the battle for survival in rural India the economic purchase which this will give the harijans may mean they are not so easily pushed around and will start claiming their privileges.

In Paltoo itself there is no one to challenge the brahmin family. Karan Singh himself was no supporter of Charan Singh, the kisans' hero, who, he said, "does not count around here." Instead he declared himself roundly for Mrs. Gandhi and said he had wished to go "to court arrest by demonstrating for her, but my father was ill and I had to stay here." Mrs. Gandhi, he said, governed firmly. But nowadays "times are changing and people are not like they used to be. They do not show sufficient respect." The comment was the only other sign that Paltoo's masses too might be stirring.

Kevin Rafferty

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THE CO-OPERATIVE MOVEMENT

Success remains sporadic

THE CO-OPERATIVE movement in India is 75 years old this year, but Jawaharlal Nehru's call for "convulsing the nation with co-operation" has had limited success. This despite the fact that it has a membership of over 70m and the value of its activities is estimated at over Rs 150bn (about \$20bn) annually. Started as a movement for self-help among the poor, it really made a beginning only in the 1950s when it found a place in the planning process. Progress has been sporadic and uneven, although there are some areas of remarkable success.

Ironically, it is in its 75th year that the movement has again found official encouragement. The Janata Government feels that co-operation can be used to achieve its policies of rural and small industry development. More concretely, the policy to improve the public distribution system of essential goods through a chain of co-operatives was endorsed by all Chief Ministers last month. This ambitious scheme of production-cum-distribution is intended to be operational by July in a bid to eliminate the middleman who is thought to be responsible for shortages and rising prices.

But it is agriculture and, more specifically, the credit needs of farmers that has been the basis of the co-operation movement in India, now the largest in the world. It was started originally to rid poor farmers from the grip of the notorious village moneylender and credit co-operatives, with all their shortcomings, are still the only alternative to him. It is only in the last couple of years that the organised banking system has started moving into rural areas. The moneylender still flourishes, but at least the statistical growth of credit co-operatives is impressive.

There are at present about 140,000 primary agricultural credit societies, about 350 central co-operative banks, 26 State co-operative banks in that country. Membership of primary agricultural credit societies is over 40m, covering half the active rural population and 82 per cent of all villages.

The societies have a working capital of Rs 19.9m and deposits of over Rs 1.1bn. Production loans given to farmers amount to about Rs 200m a year, and it is claimed that the needs of the farming population met by the co-operative system increased to about 50 per cent in 1975-76 from a meagre 3 per cent in 1950-51.

For long-term credit, central land mortgage or land development banks function in each state at the apex level, each serving districts or smaller administrative units through branches. The apex co-operatives give loans for development purposes (for example, irrigation), and there are at present 10 central land development banks and 680 primary land development banks with a membership of 7.8m and distributing about Rs 150m as loans annually.

Impact

Despite the size of the co-operative movement, its impact on the economy has been marginal. Evils crept into the movement from the initial stages, and so many vested interests have developed that some States want to forget about co-operation altogether and make a fresh beginning with other village institutions, like the panchayats. The suspicion with which rural co-operatives are viewed is largely because they are known to be used by farmers, traders, the local bureaucracy and politicians; the feeling is widespread that statistics give a false picture and the large farmers are getting most of the credit.

The Planning Commission acknowledges that the co-operative system is the most widely distributed and organised credit system which can readily take up the vast task of purveying short, medium and long-term credit to the rural areas. But, says the latest Draft Five-year Plan, "all along, the system has been heavily biased towards the more affluent sections of the rural community, even though lip service has been paid to helping the poorer classes. Resolutions to bring in efficient management and to help the poorer sections have remained a dead letter." The Commission has found that exploitation of the poorer sections of the community by money-lenders and through a bonded labour system is still widely prevalent. "Even though debt redemption laws have been passed, for lack of an appropriate and efficient system of credit for consumption, the laws have only added to the misery of the poorer sections," says the Commission. Hence its call for major reforms and the introduction of a multi-purpose credit system with efficient non-political management.

The Central Government, which has a fully-fledged Department of Co-operation operating in New Delhi, has made some efforts to galvanise the system and to enlist the support of the States. For the first time last year, a national resolution on co-operative was adopted. This aims at making the movement into a major instrument of decentralised, labour-intensive and rural-oriented development. The co-operative movement will be developed as a "shield for the weak." This has a disquietingly platitudinous ring about it, especially when it speaks about making the movement into "an autonomous self-reliant movement, free from undue outside interference and excessive control, as also from politics."

Stabilise

The co-operative movement, meant initially for agriculturalists, has been more successful in other related areas. The major examples are the co-operative sugar factories and the dairy co-operatives. The experiment of the Milk Supply and Processing Society at Anand in Gujarat is one of the great success stories of the co-operative movement, and it has set the pattern for national dairy development under the "operation flood" programme. At the all-India level, the

National Co-operative Dairy Federation has under it nearly 30,000 primary milk supply co-operative societies with a membership of more than 2m. They sell products worth over Rs2bn annually, providing not only income for farmers but badly needed cheap nutrition.

Co-operative processing of agricultural produce, aimed at stabilising agricultural production, has been successful mainly in larger units like sugar factories. A total of 119 sugar co-operatives now operate to produce about 2.4m tonnes of sugar or nearly half the total in the country. Twenty years ago there were just three sugar factory co-operatives, and this suggests that, given the right organisational support, the primary producer can involve himself in processing his product.

Agricultural inputs is another area where the movement has done well. Over the years, nearly 60 per cent of fertiliser and other agricultural inputs sold have been channelled through the co-operative system. More significantly, farmers have decided to shed dependence on the private sector and imports for their needs of fertilisers and have actually entered the fertiliser industry as producers in a big way. The Indian Farmers Fertiliser Co-operative (IFFCO), with a direct investment of more than Rs 2.5bn is the largest single fertiliser producer in the country. It has plans to expand further and expects that by 1981 its factories will produce 1m tonnes of urea and another 1m tonnes of NPK products, placing it far ahead of any comparable unit in terms of turnover.

Farming apart, the Government hopes to recast the strategy for growth of co-operatives by new schemes. The National Co-operative Development Corporation is being asked to assist the States to increase the share capital base of primary co-operative societies so that they can increase their production and marketing activities. At present, such assistance is available only to apex and regional weaver societies.

K.K.S.

Major objectives still not achieved

"THE PLAN is dead, long live the Plan." On the lines of the ancient royalist salute, the Janata Government laid the ill-fated fifth plan to rest a year before it was officially supposed to end, and launched its own sixth plan last year. But despite the cosmetics, not much has changed in either the methods of planning or in the implicit economic model underlying this "new" plan. While this might suggest that the resulting continuity of planning in India since its inception in 1951 is a sign of its success, the Sixth Plan in its stocktaking of the achievements of Indian planning admits:

"We must face the fact that the most important objectives of planning have not been achieved. The most cherished goals seem to be almost as distant today as when we set out on the road to development. These aims—implicit in all our Plans, but more explicitly stated in the later formulations of our development strategy—are universally accepted by the Indian people: they are the achievement of full employment, the eradication of poverty and the creation of a more equal society." As is also conventional in Indian plan documents it is asserted: "The goals are attainable, given only the national will to pursue them without faltering."

Weakness

It is arguable, however, whether these goals are realistic or indeed whether the form that planning has taken in India is the appropriate means for achieving the desired goal of poverty-eliminating growth. For the central weakness of Indian planning lies in its continued attempt to apply Soviet-style material balance planning (substituting bureaucratic direction for the free market mechanism) to the operation of a mixed economy, where despite all its attitudinising the Government can exercise only limited and at best indirect control over the economy.

The continuing failure to recognise this fatal weakness of the planning process in India is in turn the result of the instinctive identification of planning of the Soviet variety with socialism—the main "religious" tenet of Indian intellectuals since Nehru. This identification of planning with socialism is untenable, however. For planning in the most general sense is merely the delineation of a co-ordinated and coherent set of public policies for maximising economic welfare. To identify a particular set of public policies as coterminous with socialism is to confuse means with ends.

While it is true that there are many good arguments for government intervention in any economy, the appropriate form of government intervention is not always likely to be in the form of Soviet-style bureau-

cratic commands. Broadly speaking we can contrast two forms of government intervention: (a) that which is indirect and would work through the market mechanism by suitable doctoring of the prices received and paid by individual agents; (b) that which works through direct government controls over the quantities of goods produced and distributed.

Targets

It is the mistaken identification of planning based on direct controls with the doctrines of socialism which still bedevils Indian planning. Thus despite the conclusions of numerous official committees as well as individual experts that the past system of industrial and foreign trade controls—through which the Government has sought to enforce the targets for large-scale industrial output (and investment)—have failed to help the cause of either efficiency or equity in India, the Government is still loth to make a bonfire of these controls.

Socialism is essentially concerned with a more egalitarian distribution of income and wealth. To achieve this better distribution direct instruments of policy to attack the inequalities are required. In a democratic society the use of such direct instruments requires at least a popular majority in favour of increased equality. Despite the rhetoric of the Indian Planning Commission and the populist stance of many Indian politicians it is arguable whether any such consensus actually exists in India.

The almost ritual exhortations in Indian plan documents (repeated in the draft Sixth Plan) to stiffen the will of the politicians to implement the land reforms which would economists are agreed would both raise agricultural output as well as improve the distribution of income come up against the stark reality of Indian politics—that in most States as well as at the centre (in terms of Mr. Charan Singh's faction in the Janata party) the kulaks are in power. While the latter may be willing to soak the rich (a decreasing band), they are by no means willing to help the poor, witness their increasing fury at the attempts of various Harijan groups to assert their rights.

Unable—unlike most of their countrymen—to accept the existing inequalities of income and wealth in India, and thwarted by the political realities from launching any frontal attack on those inequalities, the Planning Commission (with the support of most of the intelligentsia) has sought to correct the consequent inequalities in consumption by production planning (at least for the industrial sector), which has sought to determine the relative supply of the various goods available in India.

Not surprisingly, this indirect method of control of the con-

sequences of income and wealth inequality was open to sabotage by the same political forces which wrecked any hope of direct income distribution. Any examination of plan targets and achievements in India conveys the sad message that the shortfalls in targeted capacities and outputs have been greatest for those goods and sectors on which the plans have laid primary emphasis.

Much worse, these targets (in particular for the industrial sector) were based on the crudest notions of import-substitution, without any reference to India's comparative advantage—though over the years, and in particular since the take-off in Indian manufactured exports in the early 1970s, some dent seems to have been made in this autarkic predilection of Indian planners.

They are still not willing, however, to accept the alternative logic of a system (such as is to be found among many Asian countries) which relies on an industrialisation policy which adopts a neutral stance between import-substitution and exporting, and which in India's case could make the best use of the country's most abundant resource—its relatively cheap (and by now relatively skilled) labour force. For one of the more serious consequences of the heavy industry-biased import-substitution strategy that the Indian plans have promoted has been the limited amount of employment generated by the very substantial sums invested

Centre

Sensing this, the Janata Government has put the development of the small-scale sector at the centre of its industrial plans. But the old preconceptions are still there in the new industrial policy. This too seeks to control industry, only this time it is by limiting the expansion of large-scale industry to certain products, and drawing up yet more lists of industries where production is to be confined to small-scale units.

The result is to create a new industrial caste system in which companies are assigned particular scales of production for specific products. Such a policy assumes of course that there are optimum scales for producing the myriad of items produced in the industrial sector, which can be determined by the planners. In a dynamic world where relative prices as well as the mix of available technological choices for different industries are continually altering, there is no sensible way in which even the most intelligent bureaucrats can make such choices.

This brings us back to the central intellectual weakness of Indian planning, namely the belief that because of well-known imperfections in the

working of the domestic price mechanism, the latter needs to be supplanted by bureaucratic methods of allocation. However, as the accumulating experience with bureaucratic forms of control in a variety of social environments makes increasingly apparent, because of problems concerning (a) the collection and dissemination of information, (b) coordination of the myriad economic decisions in a complex economy and (c) the structure of incentives in a bureaucratic allocation of economic resources, the bureaucratic system may perform even worse than an imperfect market economy.

Yet there are certain allocation decisions such as those concerning the provision of public goods and services (including infrastructure) which require bureaucratic methods. Even in these spheres the record of Indian planners is not without its blemishes. Thus the era of planning has seen a planned expansion of engineering schools which has led to a serious problem of unemployed engineers, as well as planned levels of power generation which have been inadequate to meet demand, leading to a crippling industrial output. While the emphasis placed in the Sixth Plan on a rapid utilisation of India's irrigation potential is commendable because of the resulting effects on agricultural production as well as the ensuing increase in the demand for rural labour and the accompanying reduction in rural poverty, it contrasts with the relative neglect of this aspect of infrastructural development in earlier plans.

India has thus set up a complex—and by Third World standards relatively sophisticated—machinery of planning. But the ideological predilections determining the form of material balance planning that has been adopted is completely inappropriate for a sub-continental mixed economy, where the Government can at best exercise only limited and indirect control over the regions of private decision-making units, and in which the dangers of bureaucratic failure are at least as serious as those of market failure. Coupled with the failure to face the political realities which make any genuine attempt at income and wealth redistribution virtually impossible, this has led to the increasing divergence between plan and performance which the quarter-century of Indian planning has become its major characteristic.

Until India's intelligentsia (including its politicians) face up to this reality, the chanting of the same five-yearly mantras by the Planning Commission, while it might impress the multitude, is unlikely to provide any lasting solution to the endemic problem of Indian poverty and economic stagnation.

By a Correspondent

A new five-year plan

PLANNED development has been retained by the Janata Government although in a conceptual change resulting in a "rolling plan" in the place of the usual five-year plans—have been introduced. But it is encountering considerable difficulty in having its first plan for the period 1979-83 accepted by the states, all of which are members of the National Development Council (NDC) which must formally approve the Planning Commission's draft. This is now expected in the next two or three months.

Should the approval come, the country will have its largest ever five-year plan to implement. Investments envisaged are colossal Rs1,162,000 (about \$145bn), of which the public sector share is Rs68,000 (which is what really matters since the Planning Commission cannot really plan for the private sector). If all goes well with implementation, the plan will achieve an annual growth rate of 4.7 per cent in the hope that the basis will be laid for a 5.5 per cent growth rate annually in the 1983-88 period.

Finalised

The plan document still has to be finalised, particularly to decide the share to be implemented by the states, as well as inter-sectoral outlays. The original draft bases the growth rate target on the premise that first, the pattern of investment and income should be such as to redistribute incomes in favour of the poor and second, the physical and industrial incomes should be "projected with a greater deal of realism

than in the past." It assumes that agricultural output will increase by around 4 per cent annually and expects the industrial growth to be 7 per cent (as compared with the average of 4.3 per cent in the past).

Tentative sectoral outlays show, however, a relatively modest rise for agriculture and allied activities which get Rs 96bn (or 12.4 per cent of the plan) as compared to Rs 83bn (or 11 per cent) in the previous five year plan. Taken together with irrigation and flood control, which get Rs 96.5bn, this is still a relatively smaller rise than was expected from a Government which wanted a rural bias to development. The largest sectoral outlay is, in fact, for energy, science and technology, to which Rs 208bn (30 per cent) of the plan has been allotted. Industry and minerals get Rs 103bn (14.9 per cent) and there is, therefore, just a slight tilt away from industry towards agriculture.

Some of the major targets to be achieved by 1982-83 are: food grain 144m tonnes; sugar cane 188m tonnes; cotton 92.5m bales (of 170 kg each); coal 149m tonnes; crude oil 18m tonnes; nitrogenous fertilisers 4.1m tonnes; phosphatic fertilisers 4.1m tonnes; cement 30m tonnes; mild steel 11.3m tonnes; and electricity generation 167 GWh.

Some of the production targets for the 10-year period ending 1987-88 are: grain 169m tonnes; sugar cane 225m tonnes; oil seeds 13.8m tonnes; nitrogenous fertiliser 6.3m tonnes; mild steel 15.4m tonnes; and electricity generation 265 GWh.

Financing of the public sector plan will involve additional resource mobilisation of Rs 90bn by the centre and another Rs 40bn by the States. Market borrowings are placed at Rs 160bn, while net external assistance is assumed at Rs 59.5bn. Borrowings against utilisation of foreign exchange reserves is placed at Rs 11.8bn.

Surpluses

A massive Rs 102.9bn is expected from surpluses of public sector enterprises, while resources from existing levels of taxation are estimated at Rs 128.9bn. Taking other minor sources (small savings, provident funds, term loans of financial institutions and miscellaneous capital receipts), the plan leaves an uncovered gap of Rs 222.5bn, which will be met by deficit financing if real resources are not created.

The draft says: "In view of the massive investments proposed to be made in agriculture and rural works of various kinds, earnest efforts must now be made to recover a part of the increased rural income for reinvestment in the public sector."

"In view of the evidence of unequal distribution of rural assets (especially land), the equitable way of doing this would be through appropriately structured taxes on agricultural income or progressive surcharges on land revenue.

"Various forms of increased savings may be considered, such as increased contribution to provident funds, group insurance schemes and rural debentures. As regards taxation,

besides examining the limited scope of raising the taxes on income and wealth and rates of commodity taxation, a part of the capital gains on development urban land and property may also be appropriated in the state treasuries."

The Plan expects exports to rise from Rs 11.4bn in 1976-77 to Rs 77.5bn in 1982-83 and imports from Rs 50.8bn to Rs 105bn, so that there will be a planned trade deficit of Rs 88.2bn. After allowing for a deceleration of inward remittances, earnings from invisibles are put at Rs 54.7bn. Debt servicing will account for Rs 44.3bn and assistance to other countries will come to Rs 8.5bn. On this basis, the gap in the balance of payments works out to Rs 92bn.

Gross inflow of aid is estimated at about Rs 80.2bn, and the document says that "higher levels of aid do not seem to be either feasible or desirable." The remaining gap of about Rs 11.8bn would be bridged by drawing down the country's foreign exchange reserves, which were above Rs 40bn at the beginning of the plan. The net inflow of external resources (including the use of the reserves) would be less than 5 per cent of the plan outlay.

The plan has been formulated on the basis that this savings rate will rise to 23.4 per cent by 1982-83. The most important component—household savings—is assumed to increase from 16.4 per cent of the disposable household income in 1977-78 to 17.4 per cent in 1982-83.

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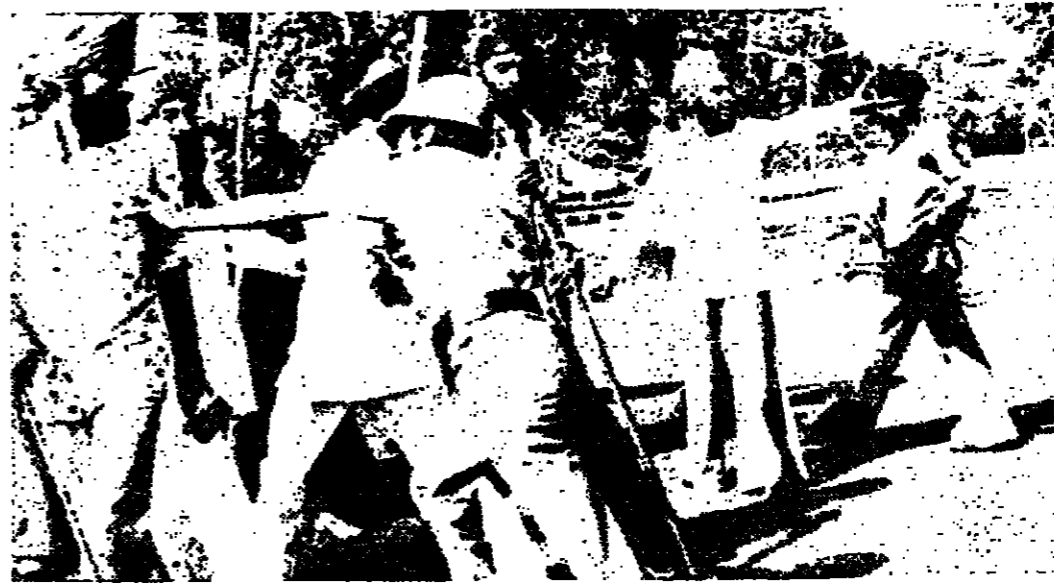
LAST YEAR certainly seems to have been a violent one in India. A'garth, the seat of the country's leading Muslim university, was under curfew for 85 days because of clashes between Hindus and Muslims. There were murderous battles between Sikhs and members of the Nirankari sect, which the Sikhs regard as heretical, and violent protests in Maharashtra over the renaming of a university after the *harijan*, or untouchable, author of India's constitution. Government property is still being attacked in Bihar and Uttar Pradesh in protest against reservation of Government jobs for the backward castes. Bihar has also recently seen a sudden rash of urban political murders. These, of course, are only some of the headlines. There has also been at least the normal quota of village level violence, atrocities on *harijans*, reprisals by *harijans*, harvesting and land disputes and the settling of political scores. Labour has been violent, too, with 7,000 reported cases of assault in the Bombay industrial belt alone.

This certainly makes depressing reading, but it would be difficult to prove that 1978 was a particularly violent year. Since independence there have been a series of violent upheavals—language riots, riots about state boundaries and religious riots, which would have shaken the very foundation of any but the most stable of countries. This year has not seen anything on the scale of the West Bengal troubles of the late 1960s, or the riots in Andhra Pradesh in the early 1970s. Nor is it easy to discover whether the country-side has been any more violent than usual.

So it is quite legitimate for Mr. Desai and his Janata Party to argue that things are at least no worse than they were before. On the other hand it is equally possible for Mrs. Gandhi to make out that the Janata Party is incapable of controlling the country, conveniently ignoring the fact that there has been considerable violence in the two southern states of Andhra Pradesh and Karnataka ruled by her party.

There is little doubt that Mrs. Gandhi has won this political battle. The impression has got about that 1978 was a very bloody year and that the violence was due to the incompetence of the Janata Government. Regrettably for the Government it is impressions not facts which count, especially with an issue as sensitive and yet difficult to quantify as law and order.

Of course, the Janata Party has not helped itself. The apparently unending dispute between the Prime Minister, Mr. Desai, and his former Home Minister, Mr. Charan Singh, has inevitably given the impression of a party divided against itself, and has led to unfavourable comparisons with the apparently monolithic unity of Mrs. Gandhi's emergency Government. This point has needlessly to say not been missed by Mrs. Gandhi. By questioning the ability of a divided Government to maintain law and order



Orthodox Sikhs, trying to disrupt a meeting of the Nirankari sect, clash with police in New Delhi last summer

she has helped to create a climate of uncertainty if not actually violence. The Press cannot be said to have been very kind to the Government which gave it back its freedom. Of course Indian editors argue justifiably that it is not the job of a free Press to be kind to any government. A few journalists have tried to set the pattern of violence this year into some sort of context, but for the most part the Press has been content to make long statements condemning the law and order situation as just another symptom of the Government's weakness. The foreign Press, to be fair, has not been any more responsible. During the agitation following Mrs. Gandhi's arrest in December a journalist friend was rung up from London to find out why the whole country was in flames, whereas in fact the response was very disappointing from Mrs. Gandhi's point of view. The violence was limited to the two southern states with Congress Indira governments, Tamilnadu, where the Anna DMK Government had taken a stand against her arrest, and one pocket of Maharashtra where her party is strong. Two calls for a general strike in Delhi were disastrous flops, as was the Calcutta "Bandh." The impression created by western reporting of this particular incident seems to illustrate how dangerous it is to play the numbers game in a country as vast as India.

Disturbed

But whether 1978 was a particularly disturbed year or not, the Janata Government can claim little credit for its record on law and order. On several occasions bad mistakes were made. The party must have known it was heading for trouble in as important a Muslim city as Allgarh when it made a leader of the Hindu extremist RSS (Rashtreeya Swayam Sewak Sangh) president of the local party. In principle it was very laudable of Mr. Desai to defend freedom of worship by insisting that the Nirankaris should be allowed to hold their annual meeting in Delhi in spite of Sikh protests and two earlier clashes between the communities, but was it really necessary for him to allow them to mount one of the most ostentatious jamborees of the year right in the centre of Delhi? Whether it was or not, no one in Delhi was in the least surprised that it led to running battles between the police and the Sikhs.

A retired army officer who has spent a great deal of his career in Nagaland was not at all surprised by the violent flare-up on the Assam-Nagaland border after Mr. Desai had flatly refused to consider reopening the question of the border between the two states.

Far more serious in the long run could well be the inter-caste violence in Bihar and Uttar Pradesh. There the two Janata Governments are hoping to consolidate their support

among the so called backward castes, by reserving Government jobs for them. Previously jobs were only reserved for the tribals and the untouchables. This led to a feeling among the backward castes that they were being squeezed between the newly privileged *harijans* at one end of the social scale and the well educated upper castes at the other end. The backward castes certainly have a case, and it is certain the Janata Party must back because these castes form the basis of the party's support. But Bihar and Uttar Pradesh are notorious for the corruption and inefficiency of their administration and police, and the Janata governments should have taken them into account before launching a policy which was bound to in-

flame the influential upper castes. But the most serious criticism of the Janata Government, however, must be its failure to tackle reform of the police or the law. The Indian police are still essentially the same law and order enforcing agency that the British left behind. Unmoved by any conception of service to society, they remain as much the enemies of the public now as they were when they were the main arm of India's colonial masters. Untouched by any vestiges of modern science, their methods of detection and crime prevention are almost medieval, as the excesses of the Emergency showed. Unprotected by their superiors they are the pawns of local political bosses. Even when it comes to doing what they were traditionally good at doing—riot control—they all too often lose their temper and become more violent than the rioters themselves. To set up a police commission is no answer. The failings of the police are so obvious that any government with the will could set about tackling at least some of them without waiting for the result of a commission. Unfortunately, the Janata Government has shown no such will. The second problem, which of course affects the functioning of the police, too, is India's archaic and inefficient courts. Anyone who wants a telling testimony to this role in the corruption of Indian society should read Mary Tyler's re-

markably unemotional account of her attempts to secure a fair trial in India. There cannot be many countries in the world where the old adage "justice delayed is justice denied" is truer than in India. Of course, the Janata Government has weakened its own position by doing away with the policeman's normal way of bypassing the courts: summary arrest. It is hardly surprising that four states have now introduced their own laws for preventive detention and others are likely to follow. A recent Amnesty International report has pleaded for the total repeal of preventive detention in India. There is no doubt that this shortcut has been and continues to be misused, but there seems no alternative to it as long as the courts make it so difficult for the police to secure a genuine conviction. Since the Janata Party came to power, Mrs. Gandhi has shown only too clearly how easy it is to make "the law an ass." But the Government appears quite unperturbed by this. Unlike it, there will always be the risk that it will be forced back on the draconian methods of Mrs. Gandhi's later years, which it has rightly condemned. The Government complains that neither the Indian nor the International Press gives it credit for its achievements. I believe the Janata Party has made very real achievements in many fields but I do not see any in the important fields of maintaining law and order. Even if the impression of lawlessness is worse than the reality, the Government can take no credit for that.

Mark Tully

BRITISH AID

Too many strings

BRITAIN GIVES more aid to India than to any other country but until 1978 it has been almost exclusively in the form of funds tied to the procurement of British goods and services, most of which have little direct effect on India's predominantly rural population, where low agricultural productivity and lack of access to water and land are the major causes of poverty. It is paradoxical that a significant change in Britain's aid policy to India is occurring at a time when India's foreign exchange reserves have reached record heights, after a succession of good harvests, and a good three years after a British Government White Paper pledged to give "more aid to the poorest" (meaning the poorest people as well as the poorest countries).

The significant change has been the decision taken six months ago to finance the local costs of aid projects out of the proceeds of the once-and-for-all aid-debt write-off.

Britain has been India's largest bilateral donor throughout the 1970s, a role held by the U.S. in the previous decade. In addition to the £106m (gross) channelled bilaterally in the financial year 1977-78, Britain subscribes about a tenth of the funds of the International Development Association, the soft loan facility of the World Bank which allocates about 40 per cent of its resources to India. But because of the size of India's population and the scale of the economy, Britain's net bilateral aid spending amounts to barely 12p per head per year—whereas in several African and Caribbean countries it is in excess of £3 per head—and the aid flow can have at best only a marginal effect on an economy with a GNP of around £50bn.

The Indian government has complete discretion in deciding what to import from Britain with maintenance aid. It can thus finance goods which would otherwise have been bought. In this case procurement tying has little or no cost. But much of the rest has been also tied to projects and new capital investments, often in the coal, power, shipping and fertiliser production sectors. Although these are all priority sectors in India's industrial development programme, too often the goods supplied are chosen with a view to supporting depressed capital goods producers back home. Since 1975 all British aid to India has been in the form of grants, and loans were interest-free during the early 1970s, so the policy was aimed at providing highly concessional development assistance and saving India foreign exchange while avoiding a drain on the British balance of payments. The expectation that tied aid will lead to further commercial orders of equipment is, however, more than a gleam in every donor's eye—at least in the eye of the donor's Treasury or Trade Department.

In some cases aid to India may have displaced commercial purchases; some spare parts could only have been supplied by British exporters. But maintenance aid has also been used for such items as special steels not produced in India and explosives which could have been purchased from other foreign suppliers. British aid funds totalling £25m have assisted three recently completed fertiliser plants but Britain is being squeezed out of the market for commercial orders for process plant in this field by the Japanese and the Germans. Britain is currently providing a \$53m grant for the supply of six cargo ships being built at Sunderland. This is not a commercial order—indeed it succeeds a previous £34m aid grant for four cargo ships in the early 1970s—and has required an additional subsidy from the British Shipbuilding Intervention Fund in order to lower the book price which the user, the Shipping Corporation of India, will pay. On the one hand British shipowners consider this a perverted form of aid which will do lasting damage to the competitiveness of the British shipping industry; on the other, the order has created 3,000 man-years of employment in a surplus capacity UK industry and in a depressed area. Since the Indian Government is aiming to increase shipping capacity from 5m dwt (covering only 28 per cent of its overseas trade in 1978) to 8.6m by 1980, some orders would have been placed abroad, so aid tied to British-built ships and absorbing unspent aid allocations at least pre-empted a similar order being placed with shipbuilders in the Far East. Success in obtaining repeat orders of a commercial nature hinges chiefly on prompt delivery, but the whole affair has only the remotest connection with aiding India's poor. It is perhaps unwise to attempt to analyse the reciprocal effects of aid within a particular commercial sector. Mrs. Judith Hart, the UK Minister for Overseas Development, has claimed that Britain's aid programme provides 48,000 jobs in the UK, India's share would therefore account for 15,000 jobs in export industries. Moreover, the existence of a substantial aid flow, together with visits from Mrs. Hart and Mr. Callaghan in the last 18 months, has less tangible effects, as well, such as creating a climate of good will between governments. Capital aid on grant terms frees a corresponding amount of Indian Government resources so long as the projects chosen would have been undertaken in its absence. If the Government so determines, it can even release resources for allocation to "grass roots" projects in the rural areas, where 10 per cent of the households are landless and over 50 per cent of them farm less than one hectare. The aid therefore supports the government in pursuing its overall policies. But there is concern that so little of British aid helps peasant farmers directly. Some 4,000 tractors were provided in 1970-72, but aid to agriculture only really got underway after a visit in 1974 by the natural resources adviser to the Overseas Development Ministry (ODM). Even then, most has been in the form of equipment and high-level consultants, which means that very little of the aid filters down to local levels. But over £250,000 has been committed this year from the ODM allocation to support small projects for agricultural exten-

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هناك من العسل

Exhibitions in Britain offer new perspective

BARRING ONLY some political or diplomatic disaster, Britain can look forward confidently to a rediscovery of Indian culture in 1981. The Indian Government is planning to collaborate in a series of exhibitions to include objects from the collections of India's own museums for presentation in London at that time.

The multi-limbed "much maligned monsters"—as Partha Mitter recently described Indian sculpture in a brilliant book on the history of European reactions to Indian art—are therefore coming to London in what now seems likely to develop into a veritable Indian festival. Not only will there be the exhibition in the Arts Council's Hayward Gallery, but it has been proposed that each of the major London museums, as well as some in the provinces, will have an exhibition of its own on different aspects of Indian art and culture.

It is hoped that the Hayward Gallery exhibition will consist largely of objects on loan from India, many of them not seen previously in Europe. The Victoria and Albert Museum is proposing a historical survey of India's decorative arts, drawing from world-wide collections (including of course, its own immensely rich one), to include the later periods—the courtly and urban arts which flourished under the patronage of the Moghuls and other princely Hindu and Moslem courts. It may be that Indian craftsmen will demonstrate their traditional skills in an area of the exhibition which will evoke an Indian street.

Ironic

It is perhaps ironic that space will have to be allocated for a special exhibition of Indian art in Exhibition Road because, until 1955, there existed the Indian Museum as part of the Victoria and Albert Museum complex—at the time without challenge the best in the world in its documentation. Alas, the Indian Museum was dismantled and, worse the crisis of major architectural masterpieces like the Sanchi gates broken up. Some objects went back to India or were dispersed in

England. How many people today know, for example, that Hastings Museum has in its rooms a complete Durbar hall?

It is also tentatively proposed that, as part of the 1981 programme, the British Museum will devote space to recent archaeological discoveries, particularly of India's pre-history, with special reference to the discoveries made in India since 1947. The Museum of Mankind will attempt an exhibition on the theme of "Growing up in an Indian village," which will show the stimuli for an Indian child as he grows up in a typical village as an example of a complex process of acculturation. Such an exhibition—devoted more to anthropology than art in the restricted sense—would have to show objects, even part of the actual village itself, perhaps in the style of the enormously successful exhibition in the same museum of Yemen's Sana'a during the 1976 Festival of Islam. This exhibition, together with the one at the Victoria and Albert, would be of great relevance for the Indian communities in Britain, especially for the children of immigrants who have little chance in Britain of coming into contact with their cultural roots.

In conjunction with this series of exhibitions it is hoped that there will be co-operation and participation—as for the Festival of Islam—from other museums and private galleries throughout the country. There should, ideally, be a concurrent music and dance programme and, certainly, a film festival. What is most lacking at the present stage of planning—and surely will soon be remedied—is a major exhibition of Indian architecture, because however successful the organisers of the other exhibitions will be, their objects will be seen out of the architectural context which in India is almost always the main inspiration and *raison d'être* for the creation of sculpture and even portable objects.

Perhaps the setting for these pieces, and an evocation of the Indian landscape and the importance of their natural and architectural settings, at least could be attempted by showing a series of drawings such as those of the famous Daniel brothers

and the magnificent work of the old Indian Archaeological Survey of India and such crucial figures as Lockwood Kipling, the famous writer's father.

There has not been a major Indian exhibition in Britain since the Great Indian Exhibition at the Royal Academy to mark Indian Independence in 1947-48. Since then the Americans, the French, the Germans, the Swiss and the Japanese have had major exhibitions. An important one is currently on show in Paris. There is reason therefore to be thankful for the personal initiative of the British High Commissioner in New Delhi, Sir John Thomson, and the efforts of the visiting arts units in this country, who have now made it possible that Britain again will be able to give Indian art the attention it deserves.

The Hayward Gallery exhibition, which will include 300 to 400 objects ranging from the Mauryan period to the 19th century, will consist almost exclusively of sculpture and painting and, in the mind of the organisers, it is intended to show the "Indianness" of Indian art, its essential characteristics and uniquely indigenous elements.

It may be possible that a small stone temple from a site about to be flooded will be dismantled and brought to London—a counterpart of the evocation of Cace I of Ajanta in Paris.

The British public therefore will be able to come to grips with an art tradition which has long been misinterpreted and, indeed, has frightened off the average Westerner. In this, the exhibition might not be very different from the Paris exhibition. It is hoped, however, that certain themes, other than historical and chronological, will emerge as a result of bringing the objects together, but it is too early at this stage to define which of these themes will direct the exhibition. Perhaps it will be divided historically; or according to the four main religions: Hinduism, Buddhism, Jainism and Islam and their offshoots; or on the interplay between Indian life, thought and practice.

The organisers are choosing a difficult brief and one might

well question the need for such an exhibition on "traditional" and grand lines. In London the objects will be by definition out of context. To focus exclusively on their aesthetic appeal may even widen the cultural gap rather than bridge it; as such a cool (Occidental) look at an art which is never devoid of ritual significance and almost always an integral part of a building, religious or otherwise, surely must impose on it a 20th century interpretation perhaps as arrogant as was its dismissal by the Victorians.

Lessons

There are many lessons to be learnt from Indian art but these lie more in spheres other than the purely aesthetic approach. Perhaps an exhibition which concentrated on one theme might therefore more successfully illuminate this difficult problem.

Philip Rawson's very successful "Tantra" exhibition at the Hayward Gallery in 1971 is perhaps the best precedent for an exhibition focussed on one single aspect of a culture in all its detail and artistic manifestations. "Shiva and the dance of creation," or "The Buddha and the inward eye," might be others. The time has surely come, it might be argued, when we can leave behind the great survey exhibitions so popular in the colonial 19th century.

Instead, we should have arrived at the detailed point of interest of a great culture whose art we hope to exhibit. We should wish to guide the many visitors to India—and a post-colonial generation of Britons—towards a real appreciation of the range of artistic manifestations of a culture rooted in a complex philosophy and a difficult and alien religious iconography. It should be possible to devise a series of exhibitions which would demonstrate the paradox of the present validity of Indian culture for the understanding of our own Christian past and the increasing turgidity of Western appreciation of India's art.

It will be fascinating to see whether the exhibitions will concentrate on the different religions current in India and the sacred icons devised for their

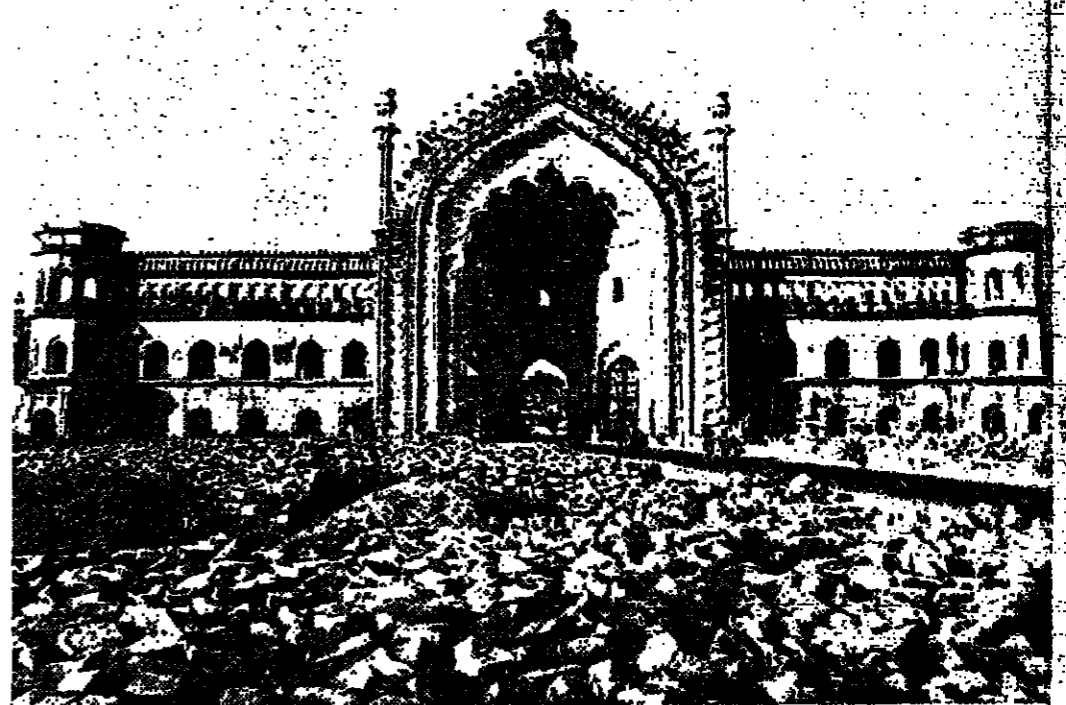
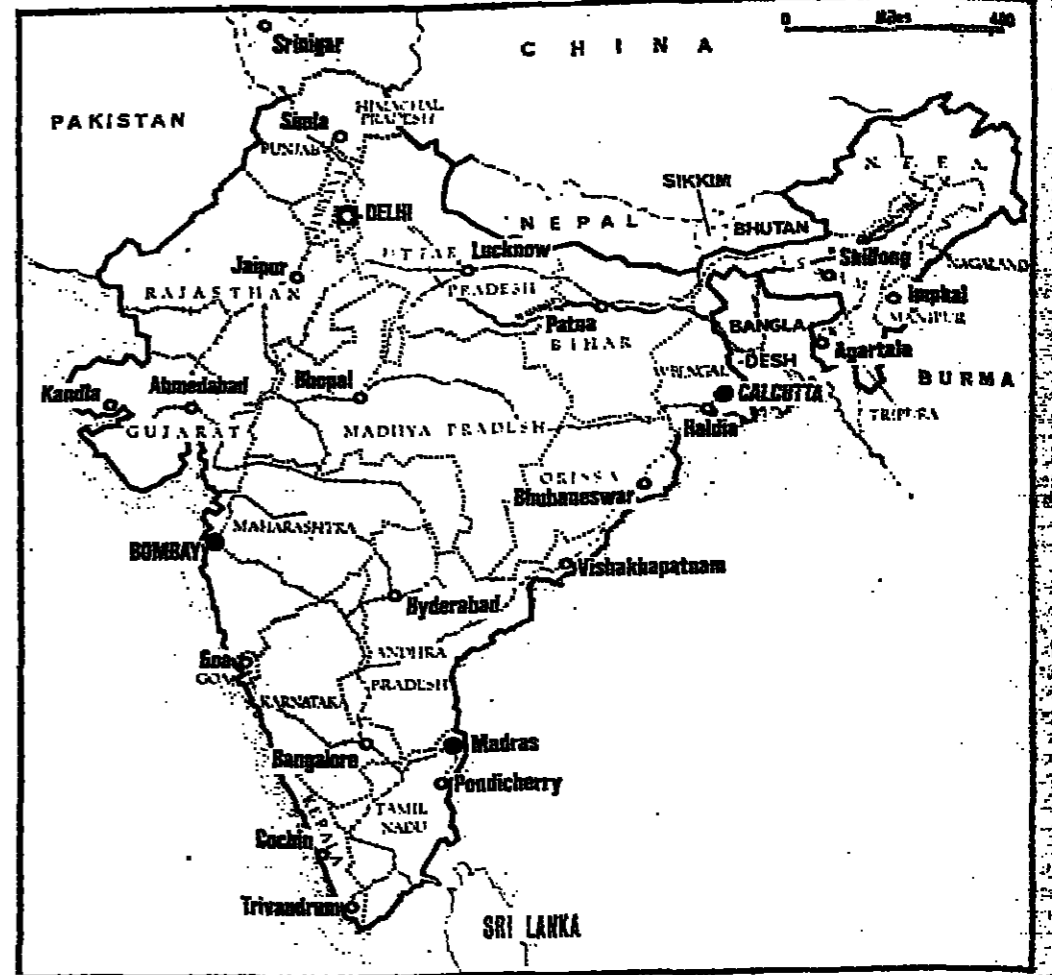
rituals, or on an exploration of modes of aesthetic expression (spiritual, sensuous, erotic, demonic, courtly or everyday life) or on the esoteric principles (asceticism, duality, androgynous and animal imagery) the creative forces, the Mother-goddess (what a wonderful subject for an exhibition she would be!). We might hope at least for a medium-sized exhibition, in some gallery or other, of single aspects of Indian art touching on such diverse themes as the "Buddha image," or "foreign influences from ancient Rome to present times," or "modern architecture in India from Le Corbusier to Louis Khan" and so on.

Certainly a place must be made for the extraordinary range of traditional Indian textiles, a major source of inspiration—and cash—for European artists and British industry in the past. It would be enough to bring out the contents, if not the setting, of the Calico Museum of Textiles in Ahmedabad—one of the most beautiful and pleasing museums in the world—to be assured of a seminal exhibition.

And what of the main themes? The "Erotic" (of which too much has been said in the West already), or the "Indian sense of the Terrible" (which has not been given adequate attention)? The possibilities at this stage of early planning seem endless. And will the London dealers jump on the bandwagon with yet another spate of increasingly more expensive Indian miniatures, or will they be more adventurous this time?

Whichever shape this Indian festival will take, the exhibitions will provide ample opportunity to display many of the forgotten Indian objects still in Britain which have been consigned to storage and oblivion with the loss of the old Indian Museum building. Meanwhile, a replacement for it has yet to be found, although by incorporating other oriental collections the about-to-be-vacated St. George's Hospital at Hyde Park Corner surely would be ideal in size and location. Maybe, at last, the gods and demons of India may be placated, and welcomed, in London.

Dalu Jones



Rumi Darwaza, the Constantinople Gate of Bara Imambara at Asifi, Lucknow. Trevor Humphries

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Chemical Bank, New York and Bank of Montreal, Canada have syndicated a loan of US \$ 35 million.

The Financial Institutions and Commercial Banks in India led by IDBI and State Bank of India have lent Rs. 44 crores (about £ 28 million).

The Scene
Bulk of the newsprint machine has been shipped. Most plant and machinery, both imported and indigenous, will be at site by March 1979.

The first coal-fired boiler will be commissioned by June 1979. So also, the first turbo-generator set, the soda recovery boiler, the demineralising plant, the chipper system and the coal handling system.

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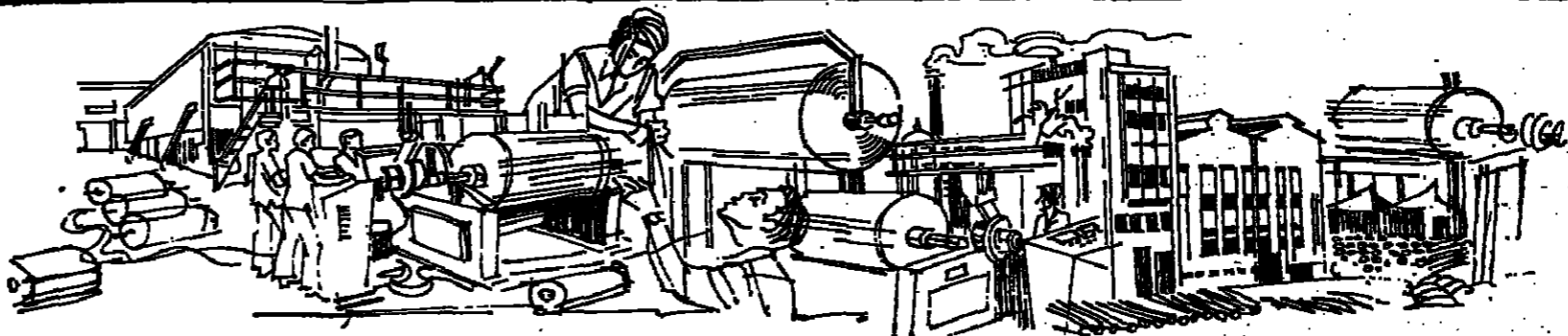
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THE DEVOLUTION REFERENDUM: SCOTLAND

A spider's web of issues

By RAY PERMAN, Scottish Correspondent



ROBERT BURNS, whose immortal memory is celebrated in countless toasts at this season in Scotland, was unequivocal about where he stood on the fate of the last Scottish Parliament. What he would think of the proposal to establish a new one is of course certain, although both sides in the campaign now building up for the referendum on March 1 have claimed the bard as a supporter of their own cause. Mr. Willie Ross, the former Secretary of State for Scotland, went as far as claiming in Labour Party political broadcasts that Burns would have been in favour of the Government's devolution plans but against the Scottish National Party's independence policy. Had the bard continued for another two centuries Mr. Ross might also have found few lines to show Burns's backing for the 5 per cent pay guideline.

setting up local organisations, fund raising, ordering stickers, posters and leaflets, and finding out who is for them and who against. The campaign proper is about to begin—an intensive three weeks of public meetings, doorstepping and advertising. The issue at stake is a complex one. The Scotland Act never without its critics, even more so its friends, was made more difficult for the lay mind to comprehend by the numerous changes wrought by its enemies as it picked its faltering way through the Commons. The result is a tangle with endless threads to be pulled out for public examination during the campaign. Those who imagined two years ago that a devolution referendum could be carried by a simple appeal to patriotism are now disillusioned. It has already emerged that there are a number of important strands to be followed and important points on which the electorate wants to be briefed. The problem is to decide whether they can best be answered by voting for or against.

Table titled 'ATTITUDES TO DEVOLUTION' showing percentages for YES, NO, and DONT KNOW across dates Mar. 77, Feb. 78, Mar. 78, Oct. 78, Jan. 79.

That division has given the "No" campaigners one of their strongest cards. While the SNP is not making too much of the fact that it believes devolution to be the first step to independence, there is an obvious contradiction between Labour presenting "Yes" as a vote against separation and the Nationalists presenting it as a vote for separation. A similar schism paradoxically divides the "all-party" campaigners for a "Yes." Yes for Scotland, led nominally by Lord Kilbrandon, who headed the constitutional commission which suggested devolution, claims to have members from all parties and, indeed, does have an organiser and deputy organiser who are both Conservatives. But its leading lights are three Nationalists, Mrs. Margo MacDonald, vice-chairman of the SNP, Mr. George Reid MP, and Mr. Jim Sillars MP, who broke away from the Labour Party to form his own nationalist group of socialists.

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But pith and power, till my last hour, I'll mak this declaration, We're bought and sold for English gold, What a parcel of rogues in a nation Robert Burns

Tories are much less split than Labour on devolution, but they are split none the less. A recent opinion poll showed that 39 per cent of Scottish Conservative voters are in favour of the Government's proposal, with 45 per cent against and the remainder undecided. Most of the party leaders are against devolution and, like Mr. Teddy Taylor, the shadow Scottish spokesman, are campaigning vigorously on the no side. Yet at a special conference the party took a decision not to mount a separate campaign, partly as a gesture to those fellow members who still cling to the devolution commitment made by Mr. Edward Heath, the former Tory Prime Minister, and partly for fear that the referendum will result in a heavy "yes" vote and that the Conservative Party will suffer badly from being too prominent on the losing side. Mr. Taylor takes an opposite

The future of detente

From Mr. I. Baranik. Sir.—You announced (January 15) that Britain hopes to conclude a \$15bn trade deal with China, which will include the supply of electricity-generating plant, mining equipment, ships, Harrier jump jet fighters and aircraft components, and a metallurgical plant. In principle, it is natural that trade between Britain and China should expand. For the British economy such major deals mean new markets, whereas for the Chinese economy, in its present condition, modern equipment and technology are essential.

Letters to the Editor

limited promotion of sugar, white flour and other refined carbohydrate products at the expense of promoting foodstuffs containing a normal amount of cereal fibre, constitutes another serious problem. While recognising the "hard economic realities" of international competitiveness and so on, the time does seem long overdue for a tough and thoughtful look at corporate and union responsibility. It is sometimes literally a matter of life and death! (Dr.) Peter Draper, UESP, 9 Neocome Street, SE1.

Paroxysm of inflation

From Professor Dudley Johnson. Sir.—I believe that only the Government and its agents should be held responsible for the cause of inflation. But first I want to reflect about matters that are so familiar that they no longer seem, as they should, astonishing and disquieting. As recently pointed out by the American writer Mr. Vermont Royster, there arrives a time in the history of a nation when one issue is so vital to its future that it overrides all other political considerations. Such periods test the vision of its leader and the resolution of its people. Today, in my judgment, it is inflation. If not eliminated and instead allowed to accelerate, it will be as destructive to society's economic and social structure as an invading army. All of this may be familiar, but what is not is that for the present time inflation is the issue that is so vital that it swamps all other political questions. The question really is whether the leaders in the free world see the nature of the challenge, and will the people have the resolution to meet it? It should never be forgotten that almost always, whenever inflation has perished, it has done so in the paroxysm of inflation. As Mr. Theodore H. White, the American political writer, states from the Sung dynasty in China (960-1126), which issued paper currency that passed as money, to the French Revolution, from the Confederacy of the U.S. to the Weimar Republic, inflation has accompanied the death battle, now to some technical matters. Compared with the dark ages of monetarism in the decade or so following World War II, when no one except a few die-hard attached any importance to the money supply and when fiscal policy dominated discussion of macroeconomic policy, monetarism has arrived. Some would say, myself included, that it is relatively triumphant. What is left currently is to determine the final score, for example, what role to assign to a detoured fiscal policy? I treat the nominal stock of money and its rate of growth as variables whose magnitudes are fixed outside the system—the money supply is primarily determined by central actions: money supply growth is the independent causal factor governing the rate of inflation. No monetarist wishes to have his salvation depend on the literally complete independence of any variable in a complex independent economy—no central bank has a dial which can produce instantaneously a desired change in the money supply, especially in a fractional reserve system. But there exists a vast amount of both

Running the buses

From Mr. J. Redwood. Sir.—Your article on the subject of bus transport (February 1, page 30) and the fortunes of the National Bus Company does not live up to your usual high standards of critical journalism. It is pointless looking at the reported net surplus of the bus company without looking at the growth in subsidies and capital grants which have accompanied the general trends towards alleged profitability. It is also difficult to comment as readily on productivity and efficiency when pricing policy is in the hands of a quasi-monopoly operation which without certain political constraints gives that operator considerable scope to cover any cost base. More serious, however, is the assumption of the article that bus services should be provided at least to maintain existing networks even when people do not wish to travel on them. It has been one of the most misleading features of transport policy in the last five years in this country that transport planners have assumed a fossil network reflecting previous patterns of profitable business operation. The argument for maintaining a larger subsidised network has been based on the premise that the social need for transport could best be met by such subsidies. The figures produced in your own article, however, are rather surprising for they seem to imply that the group who are most likely to require bus travel do not apparently account for a large share. You quote a figure of 20 per cent of total bus company business being the wives of manual workers, young people aged 16 to 21 and retired people, yet these groups represent more than 20 per cent of the total population. In view of this under representation and the implied corollary that the other 80 per cent are people quite able to pay fares at an economic level there is an overwhelming argument for concessionary fare schemes as a more efficient way of dealing with the social need than general route networks. Your article stated that Oxfordshire and Northamptonshire were the worst culprits, being unwilling to increase their spending on buses in line with Government policy. As one of the architects of the Oxfordshire transport policy in the early 1970's I can confidently state that the reason for the policy was to attempt to improve the operations of public transport service which was more in line with needs as expressed in the market place than the fossil network which some planners and bus company operators seem to prefer. There is of course no presumption in this country that county councils have to follow Government policy as they are themselves controlled by duly elected representatives and transport is an area where county councils were given more discretion under the reorganisation of local government. It was therefore particularly peevish of the Government to cut money available for road budgets when some councils opted for less rather than more bus support with a view to forcing improvements in efficiency in preference to entering open-ended subsidy commitments. In conclusion the question is not one for the Government on its own, nor is it one of how much we should value preservation of the existing network. The question is simply one of business practice of how we should pay for a service network which meets the requirements of people for personal mobility. J. A. Redwood, All Souls College, Oxford.

Today's Events

GENERAL UK: Mr. Gordon Richardson, Governor of the Bank of England, Mr. Jacques de Larosiere, managing director of the International Monetary Fund, and Sir Kenneth Cork, Lord Mayor of London, speak at the Overseas Bankers' Club banquet, Guildhall. TTC Economic Committee meets. Ministers to discuss pay levels, Congress House. House Builders' Federation statement on house building prospects. Sir Monty Finniston, chairman of inquiry into the engineering profession, Sir Terence Beckett, chairman and managing director Ford Motor Company, and Mr. Kenneth Corfield, deputy chairman and managing director Standard Telephones and Cables, are among speakers at 'Engineer and Society' two-day seminar, Odeon Cinema, Marble Arch, W1. Dr. David Owen, Foreign Secretary, speaks at Nottingham area National Union of Mineworkers conference, Sutton-in-Ashfield. Overseas: EEC Agricultural Ministers meet in Brussels to discuss farm financing. Mr. Pierre Trudeau, Prime Minister of Canada, and ten provincial premiers meet in Ottawa to review the constitution. Mediterranean countries' delegates meet in Cannes to discuss pollution. Mr. Deng Xiaoping, Chinese vice-premier, leaves Seattle for three-day unofficial visit to Japan. OFFICIAL STATISTICS Final figures for December retail sales. Provisional January wholesale price index numbers. December hire purchase and other instalment credit business. Building society house prices and mortgage advances (fourth quarter). PARLIAMENTARY BUSINESS House of Commons: Vaccine

Damage Payments Bill, second reading. House of Lords: Ancient Monuments and Archaeological Areas Bill, second reading. Price Commission Amendment Bill, second reading. Arbitration Bill, report. Select Committee: Expenditure, education, arts and home office sub-committee. Subject: Women and the penal system. Witness: Prof. T. C. N. Gibbons. Room 13, 4.15 pm. COMPANY RESULTS Final dividends: Claverhouse Investment Trust, Interim dividends: Stirling Knitting Group, Vibromat Holdings. COMPANY MEETINGS See Financial Diary on page 40.

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Promoting health

From the Director, Unit for the Study of Health Policy, Department of Community Medicine, Guy's Hospital Medical School. Sir.—Those of us with an interest in matters of health, and particularly those with an interest in effective prevention of illness, will be encouraged by Dr. Keith MacMillan's study of corporate social responsibility in the U.S. (January 17). Dr. MacMillan's main finding, that social affairs are taken more seriously in the U.S. than in the UK, should act as a powerful stimulus to those who, (with some justification), judge that in some ways Britain is pursuing industrial and economic policies that are in some respects accurately described as "health-damaging" rather than "health-promoting" and "wealth-creating." The continued high expenditure on tobacco promotion (last figures made public, £70m-80m per annum) and a government grant of £10m to build a tobacco factory in Northern Ireland, are perhaps only the more obvious kinds of recent examples. The con-

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Administration ruling cramps Chrysler's borrowing style

BY JOHN WYLES IN NEW YORK

THE CARTER administration is believed to be considering various forms of aid for the financially troubled Chrysler Corporation...

report was unobtainable yesterday but it does appear that Chrysler will apply for the \$300 million guarantee limit...

materially change its need for assistance in raising money for a \$7.5bn, five-year capital development programme.

G & W views Uniroyal purchase

By Our New York Correspondent

UNIROYAL INC., the third largest U.S. tyre manufacturer with 64 plants worldwide, has been placed on the list of candidates for possible acquisition...

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Table with columns: Date, Announcement, Date, Announcement. Lists companies like A&W, BSR, BTR, Barclays, etc.

RECENT ISSUES

Table with columns: Issue Price, Stock, Closing Price, etc. Lists various equities.

Table with columns: Issue Price, Stock, Closing Price, etc. Lists fixed interest stocks.

Table with columns: Issue Price, Stock, Closing Price, etc. Lists 'RIGHTS' offers.

Caterpillar expands in Belgium

By Giles Merritt in Brussels

A MAJOR extension of its investment programme has been launched by Caterpillar at its largest European manufacturing plant.

Triomf chairman sees 1979 as record year

BY JIM JONES IN JOHANNESBURG

"IT CAN be confidently predicted that 1979 will be the best year ever in the company's history," says Mr. Louis Luyt, executive chairman of South Africa's controversial fertiliser company Triomf.

and are still increasing. It has meant a complete turnaround in Triomf's fortunes.

The Belgian plant is the largest Caterpillar operation outside the U.S. It currently provides 4,700 jobs, of which 350 were created during the past six months.

When phosphoric acid prices dropped well below \$200, Triomf and Gazocean entered into bitter litigation over the validity of their contract.

KLK payout. By Our Financial Staff. KUALA LUMPUR, Feb. 4. The fourth-largest Malaysian plantation group, has declared a final dividend of 12.5 per cent gross (7.5 per cent) for the year ended September 30.

Caterpillar Gosselies currently exports 97 per cent of its production, chiefly to Europe, Africa and the Middle East, but the Belgian competitor will disclose details of either its output or financial performance, which are consolidated on a group basis.

Loss of its Gazocean market, together with high phosphate rock prices from the South African state-owned producer Phoskor, coupled with a heavy interest burden on its Richard Bay plant led Triomf to a R12.4m trading loss in 1977.

Uniroyal has been struggling to make ends meet in the past few years. The U.S. tyre business has been only marginally profitable because of sharp domestic price competition and its leisure shoe business, built around the Keds brand name, has been a heavy loser.

CURRENCIES, MONEY and GOLD

Oil on troubled water

BY COLIN MILLHAM

Japan's inflation rate—running at around 23 per cent at present—is giving rise to some concern in Tokyo. Oil companies have recently raised prices by an average 15 per cent, following the OPEC price rise and the troubles in Iran.

is particularly true of Germany, where the Bundesbank has led the Bundesbank to introduce tightening measures, which took effect last Thursday.

short-lived. The latest money supply figures, published Thursday, showed another fall, while statements by U.S. officials were also seen as helpful.

GOLD

February 5 February 1

Table with columns: Close, Opening, Morning, Afternoon, Evening. Lists gold prices in various currencies.

CURRENCY RATES

February 2

Table with columns: Currency, Rate. Lists exchange rates for Sterling, U.S. dollar, Canadian dollar, etc.

THE POUND SPOT

February 2

Table with columns: Bid, Ask, Close. Lists pound spot rates.

FORWARD AGAINST £

February 2

Table with columns: One month, Three months, Six months. Lists forward rates.

THE DOLLAR SPOT AND FORWARD

February 2

Table with columns: Feb. 2, Day's Spread, Close, One month, Three months, Six months. Lists dollar spot and forward rates.

EXCHANGE CROSS RATES

February 2

Table with columns: Currency, Rate. Lists cross rates for Pound Sterling, Deutsche mark, etc.

OTHER MARKETS

February 2

Table with columns: Market, Rate. Lists various market rates.

LONDON MONEY RATES

February 2

Table with columns: Term, Rate. Lists London money rates.

MONEY RATES

NEW YORK

Table with columns: Term, Rate. Lists New York money rates.

FRANCE

February 2

Table with columns: Term, Rate. Lists French money rates.

JAPAN

February 2

Table with columns: Term, Rate. Lists Japanese money rates.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)

Table with columns: Authority, Term, Rate. Lists local authority bond rates.

U.S.\$50,000,000

CAISSE CENTRALE DE COOPERATION ECONOMIQUE

Table with columns: Authority, Term, Rate. Lists Caisse Centrale de Cooperation Economique rates.

Scandinavian Bank Limited

Advertisement for Scandinavian Bank Limited, including Group Accounts, Exchange Rates, and Local Authority Bond Table.

LOCAL AUTHORITY BOND TABLE

Table with columns: Authority, Term, Rate. Lists local authority bond rates.

APPOINTMENTS

Senior scientific divisional post in Fisons group

Mr. Cedric Seroggs is to become managing director of scientific equipment division of Fisons next April.

Mr. H. J. Blackburn, managing director of the pharmaceutical division of Fisons, has been invited to serve on the executive committee of the PROPRIETARY ASSOCIATION OF GREAT BRITAIN.

Mr. Anthony J. Byrne has been appointed managing director of RICHARD SIMON AND SONS, a member of the engineering division (midlands) of the Dobson Park Industries Group.

J. R. Owens has been appointed to the Board of MIDLAND MONTAGU LEASING, a subsidiary of the Midland Bank Group.

Following re-organisation, Mr. M. A. Lydon has become senior international executive in NATIONAL WESTMINSTER BANK'S corporate financial services section.

Field Marshal Sir Geoffrey Baker has been appointed a director of CITITEL CONSULTANCY.

Mr. K. J. Barry, Mr. R. B. Ferris, Mr. R. N. Oliver, Mr. L. C. T. Sallah and Mr. W. A. Simpson have been appointed executive directors of GEORGE WILMEY AND CO.

INSURANCE

Growth in assurance outpaces inflation

BY OUR INSURANCE CORRESPONDENT

COMPANIES WHO are members of the Life Offices' Association, the Associated Scottish Life Offices and the Industrial Life Offices Association have just reported large and even surprising growth for the last year.

New annual premiums paid for life assurance and annuities have increased 25 per cent to £1,350 against £1,050 in 1977, which is considerably higher than the inflationary growth needed to keep pace with the previous year.

Seemingly, many of those aware of the need for life cover had rather more spare cash available, while others perhaps had decided that the inflation of the mid-70s had so eroded their financial protection that substantial topping up was necessary.

As some policyholders have life cover for tens of thousands of pounds, there are many policyholders who have very little life cover—which gives an opportunity for the expansion of life assurance business.

On a different set of figures: assume that some 15m adults out of the working population need life cover bought on an annual basis, with average earnings around £4,000 a year.

Even if you work from lower assumptions, there is undoubtedly tremendous scope for the life companies to expand, to double or treble the overall production they afford.

It is far too soon for the statisticians to have had time to compare 1978's results with those of previous years and produce figures which show the number of life policies in force, the number of pension scheme members and the size of life funds.

At the end of 1977 there were 104m policies in existence with sums insured of £93,800m which had generated premium income of £3,914m.

In pension schemes there were 9.06m insured, with premium income of £1,320m being laid out to purchase prospective annual pensions of £4,480m.

But millions, whether of policies or pounds of premium or cover, tend to be meaningless unless reduced to the individual content; so let us first look at just two of the 1977 figures—and set the number of policies in force against the sums assured and bonuses. Simple

WORLD STOCK MARKETS

NEW YORK - DOW JONES

Table with columns for Date, High, Low, and Stock Index values for New York.

INDICES

Table showing various stock indices and their values.

STANDARD AND POORS

Table showing Standard and Poors indices and their values.

EUROPE

Table showing European stock indices and their values.

AMSTERDAM

Table showing Amsterdam stock market data.

BRUSSELS/LUXEMBOURG

Table showing Brussels/Luxembourg stock market data.

COPENHAGEN

Table showing Copenhagen stock market data.

VIENNA

Table showing Vienna stock market data.

GERMANY

Table showing German stock market data.

MILAN

Table showing Milan stock market data.

PARIS

Table showing Paris stock market data.

OSLO

Table showing Oslo stock market data.

STOCKHOLM

Table showing Stockholm stock market data.

SWITZERLAND

Table showing Swiss stock market data.

AUSTRALIA

Table showing Australian stock market data.

JOHANNESBURG

Table showing Johannesburg stock market data.

INDUSTRIALS

Table showing industrial stock market data.

MINES

Table showing mining stock market data.

AGRICULTURE

Table showing agricultural stock market data.

FINANCIAL

Table showing financial stock market data.

ENERGY

Table showing energy stock market data.

TELECOMMUNICATIONS

Table showing telecommunications stock market data.

WALL STREET

NEW YORK

Large table of New York stock market data including various stock prices and indices.

INDICES

Table of various stock indices and their values.

EUROPE

Table of European stock market data including Amsterdam, Brussels, Copenhagen, Vienna, Germany, Milan, Paris, Oslo, Stockholm, Switzerland, Australia, Johannesburg, Industrials, Mines, Agriculture, Financial, Energy, and Telecommunications.

Handwritten signature or note at the bottom of the page.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILES

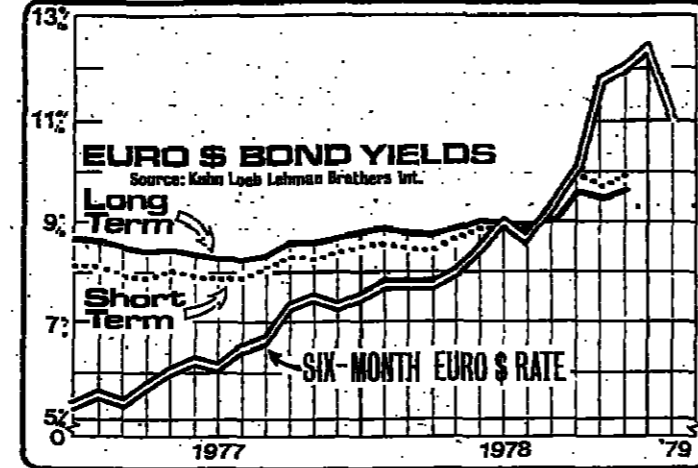
A flood of new issues released

THERE WAS plenty of good news to cheer the dollar sector of the bond markets last week. Not least a flood of new issues: \$525m worth of new issues are on offer currently, the highest figure since early last year.

Most market participants were too busy dealing with the inundation of issues to spend too much time trading. Even if they had, they would have found it difficult to buy the issues for serious institutional interest in buying existing bonds in the secondary market other than on a very selective basis.

The background news was good. Two leading U.S. banks cut their prime rate by 1/4 to 11 1/4 per cent. The dollar continued its spirited recovery reaching its highest level against the yen since last July on Thursday. The six-month interbank dollar rate fell to just below 11 1/2 per cent despite a hiccup on Wednesday which pushed it to 11 3/4 for about 24 hours.

Many investors, not to mention bankers, cannot quite bring themselves to believe that U.S. interest rates have reached their peak. However, at the week's end, there was no indication that the market might be in for a bout of indigestion, despite the large volume of new issues announced.



The new yield level implicit in recent issues is not only meeting investor expectations but also leading to some good secondary market performances for recently priced issues.

IRANIAN DEBT

BY MARY CAMPBELL

Big assets behind a big risk

THE SITUATION in Iran is unprecedented in the history of bank lending to a sovereign state, and it poses a new kind of dilemma for the international banks.

At the last count in October, Iran's official foreign exchange reserves were over \$10bn, though they have doubtless fallen since then.

Koran/Islamic law forbids payment of interest it also calls for repayment of debts.

Now, then a court might subsequently dismiss this as grounds for calling a default later.

loans to the same borrower would fall into default too. But bankers remain sceptical as to how successful they would be in attaching assets.

FT INTERNATIONAL BOND SERVICE

Table with columns: U.S. DOLLAR STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists various bond issues like Agri Airt 8 1/2, Australia 8 1/2, etc.

Table with columns: DEUTSCHE MARK STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists various bond issues like Argentina 8 1/2, Australia 8 1/2, etc.

Table with columns: YEN STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists various bond issues like Asten Dev. Bk. 8 1/2, Australia 8 1/2, etc.

Table with columns: OTHER STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists various bond issues like Bank O/S Hold. 1 1/2, Auto Cote B. 7 1/2, etc.

Table with columns: SWISS FRANC STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists various bond issues like Agri Airt 8 1/2, Australia 8 1/2, etc.

Table with columns: CONVERTIBLE, Conv. Cvr., Chg., Prem. Lists various convertible bond issues like Agri Airt 8 1/2, etc.

Table with columns: BONDS, date, price, Bid, Offer, day, week, Yield. Lists various bond issues like Agri Airt 8 1/2, etc.

Table with columns: BONDTRADE INDEX AND YIELD, Medium term, Long term. Shows index values and yields for different periods.

CURRENT INTERNATIONAL BOND ISSUES

Table listing current international bond issues with columns: Borrowers, U.S. DOLLARS, Amount, Maturity, Av. life, Coupon, Price, Lead manager, Offer yield.

U.S. BONDS

BY JOHN WYLES

Defining a strategy

THE FEDERAL Open Market Committee meets tomorrow to set the central bank's interest rate strategy for the month and supply figures which revealed further sharp declines.

draw greater strength from the decline in the December index of leading economic indicators and from Thursday's money supply figures which revealed further sharp declines.

Whether this rally can be sustained in the coming week is distinctly uncertain, and the final word may well be with the open market committee as communicated through the activities of the Fed's open market desk.

Advertisement for DALMACIJA CEMENT SPLIT U.S. \$ 10,000,000 medium term loan. Managed by Societe Generale, Barclays Bank International Limited, etc.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mngs., Allied Humber Group, and others, with columns for names, managers, and performance data.

INSURANCE AND PROPERTY BONDS

Table listing insurance and property bond companies, including Abbey Life Assurance, Norwich Union, and others, with columns for names, managers, and financial details.

OFFSHORE AND OVERSEAS FUNDS

Table listing offshore and overseas funds such as Alexander Fund, Keyser Ullman Ltd., and others, with columns for names, managers, and performance data.

CORAL INDEX: Close 464-469

INSURANCE BASE RATES

Table showing insurance base rates for various categories like Property, Vanburgh, and others.

NOTES

Notes section containing additional information and disclaimers regarding the fund data.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Int'l Spring Fair (01-499 7324) (until Feb. 8)	Exbn. Centre, Birmingham
Current	AMEME: Coal Preparation Plant Exhibition (061-532 8541) (until Feb. 8)	Exbn. Centre, Harrogate
Feb. 6-8	London Catering Fair (0428 52785)	New Horticultural Hall
Feb. 7-8	CEMPE London Exhibition (01-837 8841)	West Centre Hotel, London
Feb. 9-10	Cruft's Dog Show (01-493 6881)	Earls Court
Feb. 13-15	Catering, Licensed Trade, Hotel and Club Exbn. (0202 21812)	Falcon Rooms
Feb. 18-22	International Men's and Boy's Wear Exhibition (021-705 6707)	Olympia
Feb. 19-22	Photography at Work Exhibition (01-688 7788)	Wembley Conference Centre
Feb. 19-25	The Energy Show (0822 4871)	Exbn. Centre, Birmingham
Feb. 24-Mar. 4	National Custom Car Show 1979 (01-686 7161)	Alexandra Palace
Mar. 12-16	Labex Int'l. (Lab., Diagnostic and Medical Inst. Exhibition) (021-705 6707)	Exbn. Centre, Birmingham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Feb. 6-9	AIRMEC 79—The Aircraft Maintenance Men's Exbn. (St. Albans 83213)	Zurich
Feb. 8-18	International Motor Show	Amsterdam
Feb. 10-16	International Toy Exhibition (01-439 3964)	Paris
Feb. 11-14	Canadian Hardware Show (021-455 8600)	Toronto
Feb. 13-16	Asia Aquatech 79—Int'l. Water Technology Exbn.	Singapore
Feb. 20-25	Architectural Profile Systems Exhibition	Basle

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	University of Bradford Management Centre: Industrial Relations Negotiation (Bradford 42593) (until Feb. 9)	Heaton Mount, Bradford
Current	Cranfield School: Young Managers Course (0234 751123) (until Feb. 23)	Cranfield, Bedford
Feb. 5	Gyes-IBC: Advertising to Doctors and Dentists (01-242 2481)	Royal Lancaster Hotel, W2
Feb. 5	IPM: Unfair Dismissal—everything you wanted to know but were afraid to ask (01-387 2844)	Dragonara Hotel, Bristol
Feb. 5-6	Charterhouse Management: Finance for the Non-Financial Director (01-606 0121)	St. Ermin's Hotel, SW1
Feb. 5-6	Institution of Mechanical Engineers: Engineer and Society (01-538 1211)	Odeon, Marble Arch, W1
Feb. 5-9	IPM: Selecting the Right Candidate (01-387 2844)	Whites Hotel, W2
Feb. 6	Abacus: Rent Reviews and Renewal of Leases (07782 4471)	Kensington Palace Hotel, W8
Feb. 6	Business Perspectives: China's Industrialisation—the role for Britain (01-588 3197)	Grosvenor House Hotel, W1
Feb. 6	BACIE: The Qualification Jungle (01-942 6641)	Park House, W4
Feb. 6	ASM: The Legal Implications of Engineering Contracts (01-385 1982)	Royal Automobile Club, SW1
Feb. 6-8	RRG: Managing the Risk (01-236 2175)	Marrilott Hotel, Amsterdam
Feb. 6-7	The Henley Centre for Forecasting: Practical Training in Forecasting (01-251 3841)	Carlton Tower, W1
Feb. 6-8	ASM: Project Management (01-385 1982)	Piccadilly Hotel, W1
Feb. 8	U.S. Expatiate Taxation: Workshop (01-606 5581)	Piccadilly Hotel, W1
Feb. 8	Gyes-IBC: Fringe Benefits for Directors and Executives (01-242 2481)	Royal Lancaster Hotel, W2
Feb. 8	ILP: Licensing Products and Processes—Protection and Profits (01-586 1814)	St. Ermin's Hotel, SW1
Feb. 8-9	Brunel Institute: Identifying Training Needs for Managers and Professionals (0895 99491)	Brunel University
Feb. 9	Gyes-IBC: The Fourth Channel—the development of Commercial Television in the United Kingdom (01-242 2481)	Europa Hotel, W1
Feb. 12-23	CBI: International Financial Management Seminar (022 471133)	Hong Kong
Feb. 12-13	CRC: The Future of the Rural Community Conference (01-496 1951)	Cafe Royal, W1
Feb. 12-16	CBO: Reliability Engineering, Advanced Technology and Industrial Applications (010-139020)	Rotterdam
Feb. 13-14	IPM: Recruitment Advertising and Communications (01-387 2844)	Whites Hotel, W2
Feb. 13-17	The Clothing Institute: Careers in Clothing and Footwear (01-203 0181)	Healdon, NW4
Feb. 14	Marchmount Conferences: Personal Tax Savings for Directors (01-491 7812)	Hilton Hotel, W1
Feb. 14	ESC: Marriage and Non-Marriage (057-282 2711)	Hilton Hotel, W1
Feb. 14	BMEG: Markets for Building Materials and Components—Where should we be looking? (01-536 6820)	Cavendish Conference Centre
Feb. 14	LAMSA: Computers and Privacy (01-828 2333)	Royal Festival Hall, SE1
Feb. 14	The Institution of Metallurgists: Fracture Mechanics (01-446 2251)	Northumberland Avenue, WC2
Feb. 14-15	FT Conference: Finance and Trade in the 1980s (01-236 4832)	Frankfurt am Main
Feb. 15-16	Abacus: Counterfeiting and Piracy—Do you really know if your goods are being forged? (07782 4471)	Kensington Palace Hotel, W8
Feb. 19-20	Institute for International Research: Internal Auditors Conference (01-588 2683)	Royal Lancaster Hotel, W2
Feb. 19-20	Frank Jenkins: Planning FR Programmes (01-567 2811)	Connaught Rooms, WC2

Parliament

TODAY
COMMONS—Vaccine Damage Payments Bill, second reading.
LORDS—Ancient Monuments and Archaeological Areas Bill, second reading. Price Commission (Amendment) Bill, second reading. Arbitration Bill, report stage.
SELECT COMMITTEES—Expenditure, Education, Arts and Home Office sub-committee. Subject: Women and the penal system. Witness: Prof. T. C. N. Gibbens (Room 13, 4.15 pm).

TOMORROW
COMMONS—Debate on the disruption of the education service till 7 pm. Private Business.
SELECT COMMITTEES—Nationalised Industries. Sub-committee A. Subject: Report and accounts. Witnesses: British Waterways Board (Room 8, 4 pm). Joint Committee on Statutory Instruments (Room 4, 4.15 pm), followed by Select Committee on Statutory Instruments.
WEDNESDAY
COMMONS—Nurses, Midwives and Health Visitors Bill, remaining stages.
SELECT COMMITTEES—Nationalised Industries. Sub-committee B. Subject: Report and Accounts. Witness: National Coal Board. (Room 8, 10.45 am). Science and Technology. Genetic engineering sub-committee. Witnesses: Officials of Department of Education and Science. (Room 15, 10.30 am). Expenditure. Environment sub-committee. Docklands Action Group. (Room 15, 4.15 pm). Nationalised Industries. Sub-committee E. Subject: Ministers, Parliament and the nationalised industries. Witnesses: Sir Henry Marking, Sir Keith Granville. (Room 8, 4 pm). Expenditure, Social services and employment sub-committee. Subject: Perinatal and Neonatal mortality. Witnesses: Royal College of Physicians; British Paediatric Assocn. (Room 6, 4.30 pm). Expenditure, Trade and Industry sub-committee. Subject: UK Domestic air fares. Witnesses: Dan Air, Air Anglia. (Room 16, 10.15 am). European Legislation. Sub-committee 1. Subject: Milk Sector Report. Witness: Mr. Edward Bishop, Minister of State for Agriculture. (Room 6, 11 am).

THURSDAY
COMMONS—Crown Agents Bill, second reading.
SELECT COMMITTEES—Nationalised Industries. Sub-committee D. Subject: Consumers and the nationalised industries. Witnesses: National Gas Consumers' Council, Electricity Consumers' Council, Domestic Coal Consumers' Council.
FRIDAY
COMMONS—Private Member's Bills.

All of these bonds having been sold, this announcement appears as a matter of record only.



Privredna Banka Zagreb

U.S. \$ 50,000,000

FLOATING RATE NOTES DUE 1986

- CRÉDIT LYONNAIS** THE NIKKO SECURITIES CO., (EUROPE) LTD.
BANK GULZWILLER, KURZ, BUNGENER (OVERSEAS) LIMITED
CIBC LIMITED
CITICORP INTERNATIONAL GROUP
GROZENTALE UND BANK DER ÖSTERREICHISCHEN SPARKASSEN A.G.
NIPPON EUROPEAN BANK S.A.
NOMURA EUROPE N.V.
POSTPANKKI
SKANDINAVISKA ENSKILDA BANKEN
SOCIÉTÉ GÉNÉRALE
UNION DE BANQUES ARABES ET FRANÇAISES - U.B.A.F.
- Alahli Bank of Kuwait (K.S.C.)
 - Algemene Bank Nederland N.V.
 - Banca Nazionale Dell'Agricoltura
 - Banco di Roma
 - Banque Bruxelles Lambert S.A.
 - Banque Commerciale pour l'Europe du Nord (Eurobank)
 - Banque de l'Indochine et de Suez
 - Banque Française du Commerce Extérieur
 - Banque de l'Indochine et de Suez
 - Banque Internationale à Luxembourg, S.A.
 - Banque Rothschild
 - Banque Worms
 - Bergen Bank
 - Berliner Handels- und Frankfurter Bank
 - Copenhagen Handelsbank
 - Crédit Agricole
 - Crédit du Nord
 - Den Norske Creditbank
 - Deutsch-Scandinavische Bank A.G.
 - Gulf Riyad Bank E.C.
 - E.F. Hutton International N.V.
 - Kredietbank N.V.
 - Kredietbank S.A. Luxembourgeoise
 - Kuwait International Investment Co. S.A.K.
 - Lloyds Bank International Limited
 - Manufacturers Hanover Limited
 - Midland Bank Limited
 - Mitsui Finance Europe Limited
 - Privatbanken Aktieselskab
 - N.M. Rothschild & Sons Limited
 - J. Henry Schroder Wagg & Co. Limited
 - Société Centrale de Banque
 - Sumitomo Finance International
 - Svenska Handelsbanken
 - S.G. Warburg & Co. Ltd.
 - Yamaichi International (Nederland) N.V.



English Property Corporation Limited

Letters were posted by the Board on the 3rd February, 1979, to shareholders containing draft unaudited accounts for the year ended 31st October, 1978, and give the following details:—

NET ASSETS

The draft balance sheets, which are contained in the letter, show

net assets amounting to £71m—equivalent to approximately 71p per share (before conversion)

and approximately 68p per share (after full conversion of the preference shares and convertible loan stocks). The net assets reflect independent valuations, full details of which are set out in the letter.

In support of the valuations, the development properties have also been valued at current open market value in their present condition. This shows that the present value of these development properties is some £7m in excess of the aggregate value on which they are incorporated in the statement of net assets, equivalent to 7p per share (before conversion).

REVENUE

The draft revenue statement for the year ended 31st October, 1978 shows net revenue before taxation of £9.3m. These results are arrived at after capitalising interest on developments in accordance with the company's normal accounting policy.

The amount capitalised shows a further reduction to £13.3m compared with £20.1m in the previous year and £26m in respect of 1976.

DIVIDEND

The Board proposes, on the basis of the draft accounts, to pay a final dividend of 1.05p per share, which, together with the interim dividend paid on 8th January, 1979, amounts to 2.3p per share, the same as last year.

On the 2nd February, 1979, Wereldhave increased its offer from 37p to 46p per ordinary share of English Property Corporation Limited. The increased offer must remain open for acceptance for at least 14 days.

The Board, advised by Samuel Montagu & Co. Limited, has rejected the increased offer as inadequate.

The Board of EPC advises its share and loan stockholders

To take no action

and a further letter will be sent shortly giving your Board's reasons for this advice.

In the meantime discussions are continuing with Olympia & York Developments Limited, a Canadian company, and their advisers N. M. Rothschild & Sons Limited, as explained in the letter to shareholders dated 3rd February.



The Board of EPC (with the exception of Sir Denis Mountain and Mr. F. A. Davies) have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are fair and accurate and that no material facts have been omitted and jointly and severally accept responsibility accordingly.

FT Monthly Survey of Business Opinion

© Statistical Material Copyright Taylor Nelson Group Ltd.

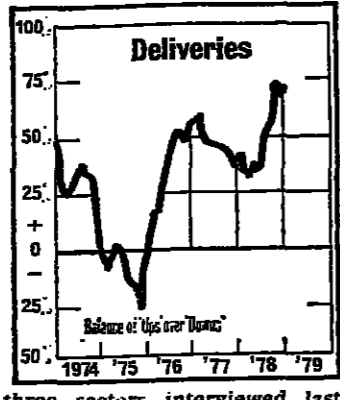
WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week...

GENERAL OUTLOOK

Confidence has been knocked

BUSINESS confidence has confidence has continued to ebb in the past month...



consumer durables and motor vehicles, and stores and consumer services...

GENERAL BUSINESS SITUATION

Table showing 4 monthly moving total and January 1977 data for General Business Situation across various categories like More optimistic, Neutral, and Less optimistic.

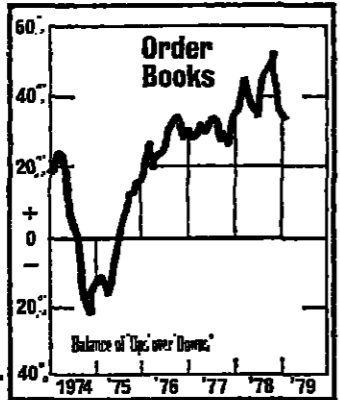
EXPORT PROSPECT (Weighted by exports)

Table showing 4 monthly moving total and January 1977 data for Export Prospect, categorized as Higher, Same, Lower, and Don't know.

ORDERS AND OUTPUT

Demand is slower

ALL THE FIRMS interviewed last month in the electrical engineering and stores...



sales expectations during the past four months than they had been in September...

NEW ORDERS

Table showing 4 monthly moving total and January 1977 data for New Orders, categorized as Up, Same, Down, and No answer.

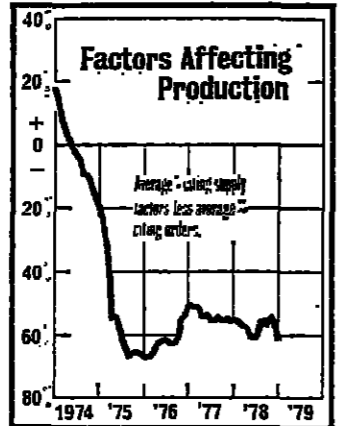
PRODUCTION/SALES TURNOVER

Table showing 4 monthly moving total and January 1977 data for Production/Sales Turnover, categorized as Rise over 20%, Rise 15-19%, Rise 10-14%, Rise 5-9%, and About the same.

CAPACITY AND STOCKS

Signs of greater caution

ANOTHER indication of the difference of tone between the present pace of activity and future expectations can be seen in the answers to the questions on capacity working and stocks...



stock levels to increase over the next 12 months. This applied to all three categories of stocks...

STOCKS

Table showing 4 monthly moving total and January 1977 data for Stocks, categorized as Raw materials and components, and Manufactured goods.

FACTORS CURRENTLY AFFECTING PRODUCTION

Table showing 4 monthly moving total and January 1977 data for Factors currently affecting production, categorized by factor like Home orders, Export orders, etc.

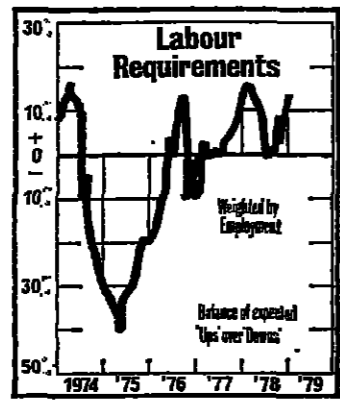
CAPACITY WORKING

Table showing 4 monthly moving total and January 1977 data for Capacity Working, categorized as Above target capacity, Planned output, Below target capacity, and No answer.

INVESTMENT AND LABOUR

Constraints on all sides

FORECASTS of labour requirements over the coming 12 months have again edged up. But there are constraints on both the demand and supply side...



surveyed. The next was the difficulty in recruiting staff with suitable skills. These two factors have been mentioned by about half the firms interviewed...

LABOUR REQUIREMENTS (Weighted by employment)

Table showing 4 monthly moving total and January 1977 data for Labour Requirements, categorized as Increase, Stay about the same, and Decrease.

CAPITAL INVESTMENT (Weighted by expenditure)

Table showing 4 monthly moving total and January 1977 data for Capital Investment, categorized as Increase in volume, Stay about the same, and Decrease.

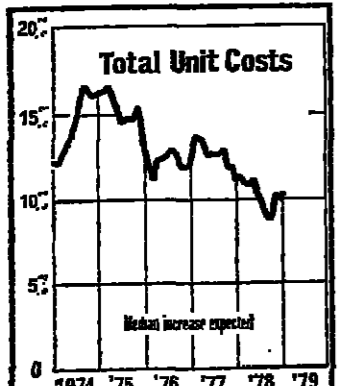
COST AND PROFIT MARGINS

Inflation worries grow

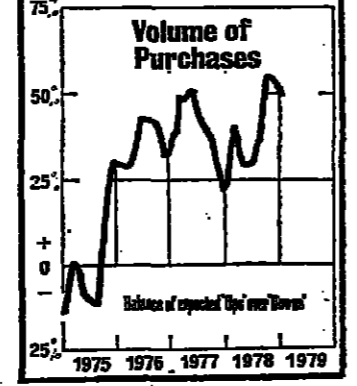
THE INDEX of inflation expectations which in the past has proved to be a good indicator of turning points, has been rise to just over 10 per cent.

to just over 10 per cent. The index for wage costs has remained more steady, at around 11-12 per cent.

FT-Actuarial Index, which accounts for about 60 per cent of all public companies.



This could understate the situation, however, since several firms declined to answer questions on wage cost expectations and there were clear signs of a less rigid attitude to wage claims than in September.



COSTS

Table showing 4 monthly moving total and January 1977 data for Costs, categorized as Wages rise by and Unit cost rise by.

PROFIT MARGINS

Table showing 4 monthly moving total and January 1977 data for Profit Margins, categorized as Improve, Remain the same, Contract, and No comment.

MOTOR CARS

YOU'RE ONLY SECONDS AWAY BY PHONE... from the best selection of new VOLVO in West London.

MERCEDES 280 CE 1978 All extras including air-conditioning, 8,000 miles, Personal No. plate, £14,500.

KENSINGTON CAR CENTRE

SNOWHEAD... BE PREPARED! YOUR MOOVIT! NOW!

1979 ROLLS SILVER SHADOW II Le Mans Blue, Magnolia leather, Many extras. Delivery mileage, £28,950 or 3-year lease at £920.00 per month.

PATENTS Florence—learn Italian quickly and well at the British Institute. Courses March 6-April 13, March 30-April 17, April 17-May 11.

CREDIT COMMERCIAL DE FRANCE

Paris The letter to the shareholders of Credit Commercial de France which was published last September foreshadowed a decline in the profit for fiscal year 1978...

U.S.\$50,000,000 Hapoalim International N.V. Guaranteed Floating Rate Notes 1983. For the six months 5/2/79 to 8/3/79.

MOTOR CARS

WADHAM STRINGER

ROLLS-ROYCE

Official Distributors for Rolls-Royce and Bentley. H.A. FOX 34 Dover Street, London. Tel. 01-493 8962.

1978 Mar. Rolls-Royce Silver Shadow II Saloon. Silver Chalice. Blue Everflex roof, Surf Blue leather. Speedometer reading 3,500 miles.

1977 May Rolls-Royce Silver Shadow II in Chestnut with Tan Hide. Maintained only by us. 16,400 miles indicated. Price on application.

1977 Oct. Rolls-Royce Silver Shadow Series II Saloon finished in Champagne with Brown hide upholstery. Speedometer reading 4,000 miles.

1978 Nov. Rolls-Royce Silver Shadow Saloon finished in Dark Olive over Willow Gold with beige hide upholstery. Speedometer reading 22,000 miles.

1975 Mar. Rolls-Royce Silver Shadow Saloon finished in Moorland Green with Red hide upholstery. Speedometer reading 32,000 miles.

1977 May Rolls-Royce Silver Shadow Series II finished in Honey with Beige hide upholstery. Brown Everflex roof, picnic tables. Speedometer reading 10,000 miles.

1978 Mar. Jaguar XJS. Signal Red with Biscuit interior. One owner. Indicated mileage 6,500.

1977 May Ferrari 308 GT4. Rosso Red with beige interior. Air conditioning, radio. Indicated mileage 28,000.

1978 Jan. Mercedes 350 SL. Yellow with Tan leather. Indicated mileage 31,000.

1978 Feb. BMW 320 A. Topaz Metallic with Beige cloth interior. Radio/stereo. Indicated mileage under 4,000.

1977 Oct. Ford Granada 2.8 GL Estate. Manual. Oyster Gold with Beige cloth interior. Brown seat covers.

1978 Mar. Jaguar XJS. Signal Red with Biscuit interior. One owner. Indicated mileage 6,500.

1977 June Lancia Monte Carlo Convertible. Bronze Metallic with Tan interior. Indicated mileage 12,000.

1978 Mar. Jaguar XJS. Signal Red with Biscuit interior. One owner. Indicated mileage 6,500.

1977 May Ferrari 308 GT4. Rosso Red with beige interior. Air conditioning, radio. Indicated mileage 28,000.

1978 Jan. Mercedes 350 SL. Yellow with Tan leather. Indicated mileage 31,000.

1978 Feb. BMW 320 A. Topaz Metallic with Beige cloth interior. Radio/stereo. Indicated mileage under 4,000.

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Table of bank and home products prices, including columns for company name, price, and other details.

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Table of chemical and plastic prices, including columns for company name, price, and other details.

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Table of engineering company prices, including columns for company name, price, and other details.

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Table of beer, wine, and spirit prices, including columns for company name, price, and other details.

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Table of international bank prices, including columns for bank name, price, and other details.

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Table of industrial stocks with columns for company name, price, and other financial metrics.

INSURANCE—Continued

Table of insurance stocks with columns for company name, price, and other financial metrics.

PROPERTY—Continued

Table of property stocks with columns for company name, price, and other financial metrics.

INVESTMENT TRUSTS—Cont.

Table of investment trusts with columns for company name, price, and other financial metrics.

FINANCE, LAND—Continued

Table of finance and land stocks with columns for company name, price, and other financial metrics.

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MINES—Continued

Table of mining stocks with columns for company name, price, and other financial metrics.

COPPER

Table of copper stocks with columns for company name, price, and other financial metrics.

MISCELLANEOUS

Table of miscellaneous stocks with columns for company name, price, and other financial metrics.

NOTES

Notes section containing various financial notices and announcements.

GOLDS EX-EST. PREMIUM

Table of gold exchange rates with columns for location and price.

TEAS

Table of tea prices with columns for origin and price.

MINES CENTRAL RAND

Table of central rand mining stocks with columns for company name and price.

EASTERN RAND

Table of eastern rand mining stocks with columns for company name and price.

FAR WEST RAND

Table of far west rand mining stocks with columns for company name and price.

O.F.S.

Table of O.F.S. stocks with columns for company name and price.

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Table of finance stocks with columns for company name and price.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks with columns for company name and price.

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Table of central african stocks with columns for company name and price.

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Table of property stocks with columns for company name, price, and other financial metrics.

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FINANCE, LAND

Table of finance and land stocks with columns for company name, price, and other financial metrics.

FINANCE

Table of finance stocks with columns for company name, price, and other financial metrics.

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The following is a selection of London quotations of shares previously quoted only in regional offices...

OPTIONS 3-month Call Rates

Table of 3-month call rates with columns for strike price and rate.

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FINANCE, LAND

Table of finance and land stocks with columns for company name, price, and other financial metrics.

FINANCE

Table of finance stocks with columns for company name, price, and other financial metrics.

